

Directors

Can I furlough myself?

Basically, you are asking two questions

1.

Can I Furlough myself?

There has been much debate within the accountancy profession on this matter and the simple answer is “**Yes**”.

So, if you have found yourself in a position where you have no work and you believe that situation will last for at least 3 weeks, please download and sign and retain a copy of the letter in the button below and furlough yourself. The letter needs to be sent from your limited company to yourself (and the other directors if you need to). We will be asking to see it if we make a claim on your behalf when we can.

Whilst furloughed you are only allowed to carry out duties of a director. You will find a full list of what you are allowed to do [here](#)...

However, Lesser & Co are following ICAEW advice which is to remain pragmatic. Therefore our view is for our clients that Directors can furlough if income for the company has reduced to NIL due to COVID-19. If income has not reduced to NIL then all directors can not be furloughed. If there are multiple directors and income has reduced but not to NIL, we would recommend furloughing some of the Directors, but leaving one Director in place to manage the current revenue.

We are taking the pragmatic view in line with ICAEW that marketing and training is acceptable. However generating an income whilst being on furlough is not acceptable. Being paid for work already done is fine (whilst on furlough). Invoices should be issued prior to furlough date.

We also recommend that, if funds allow, you continue to pay yourself your normal salary of £732 per month which applies for the 20/21 tax year as the national insurance limit of £8,788 divided by 12. Thus should be a standing order from the company account to your personal account. If your normal salary is different to this, we will be in touch to discuss what you should do.

DOWNLOAD FURLOUGH LETTER



2.

Can I claim back 80% of my salary (normally £719 per month) from the government?

Yes, subject to above conditions. **The portal to make the claims will not be live until at least the end of April.** When the portal is ready, we will ask you if you have met the conditions to make a claim and, if so, we will be carrying this out for clients for a nominal fee in the region of £50+vatt to cover our time, however this depends on the amount of work involved and we will clarify this.

To be clear, any possible claim will only be for **80% of your salary** and not include any dividends you pay yourself. The Director furlough is based on Feb 2020 salary

The 80% of salary (80% of £719) is £575. The £575 claim is a taxable grant. Depending on your tax bracket, broadly speaking this is likely to be taxed at either 20% if total earnings for the 20/21 tax year are below £50,000 or at 40% if total earnings are above £50,000.

This means of the £575, a basic rate tax payer will receive per month £460 after tax and a higher rate tax payer will receive £345 per month. Please note the basic rate band is so£50,000 for 19/20 and 20/21. The above assumes total income of less than £100,000 will be on your 20/21 self assessment tax return and no loss of personal allowance.

Given this minimal help for Directors of Limited Companies which is very likely to be far below your normal income, our advice is as far as possible to carry on working and generate an income over and above the government help for Ltd company Directors under the job retention scheme if you can generate an income over £575, you are better off working and paying yourself dividends

Please note the sole trader help given by the chancellor (described as self employment) is not for Ltd company Directors.

This is correct as of April 2nd 2020 and does not include any subsequent changes that may follow in later government announcements. This is clearly uncertain, unpredictable, however if this does change we will advise immediately. For now, we must work on the basis that the job retention scheme does not include dividends for Ltd Directors and the sole trader help is out of scope for Ltd Directors.

All of the above also takes into account that you should follow government advice around keeping safe and social distancing, your health is paramount. Companies with one Director with much reduced and therefore very minimal income due to COVID19, could consider appointing an unpaid 2nd Director to run the business so the salaried Director can be furloughed. This can be discussed on a case by case basis.