

On 20 March 2020, the Chancellor, Rishi Sunak announced unprecedented measures to support businesses and their employees, including the Coronavirus Job Retention Scheme.

The Government, on 26 March 2020, released further details on the **Coronavirus Job Retention Scheme** and gives an indication of how the scheme will work but may be subject to changes.

Further details will follow, but the key points include:-

- The Coronavirus Job Retention Scheme is a temporary scheme open to all UK employers. It is designed to support employers whose operations have been severely affected by COVID-19. The scheme will be open for least three months starting from 1 March 2020;
- Employers will be reimbursed 80% of the employee's regular wage, up to £2,500 per employee, per month, plus the associated Employer National Insurance contributions and minimum automatic enrolment employer pension contributions but fees, commission and bonuses cannot be included. Further guidance to be released shortly;
 - We believe this gives a maximum cap of £2,500 +£245 (employers' NIC) + £59 (auto enrolment pension contribution) = £2,804, but further clarification is needed;
- Employers can choose to provide top-up salary in addition to the grant but does not have to nor will it be funded will not be funded through the scheme;
- The scheme is open to all UK employers that had created and started a PAYE payroll scheme on or before 28 February 2020 and have a UK bank account;
- Furloughed employees must have been on the PAYE payroll on 28 February 2020 and can be full-time, part-time, agency contractors or those on flexible or zero-hour contracts;
- The scheme also covers employees who were made redundant since 28 February 2020, if they are rehired by their employer but new employees hired after 28 February 2020 cannot be furloughed or claim;
- A furloughed employee can take part in volunteer work or training but cannot undertake work for or on behalf of the organisation. This includes providing services or generating revenue;
- Employees must be furloughed for a minimum of 3 weeks;
- Individuals are only entitled to the National Living Wage (NLW)/National Minimum Wage (NMW) for the hours they are working, therefore furloughed employees would fall below NLW/NMW;
- When the scheme ends, employers can make a decision as to whether the furloughed employees can return to work or be made redundant. We do not believe there will be a claw back of grants if made redundant but this is not yet confirmed;
- HMRC confirmed employees can be furloughed by one employer and continue to work for another;
- Directors who pay themselves a salary and dividends through their own company may be covered for their salary element only _ if they are operating PAYE schemes and were on the payroll in February 2020;

How to furlough employees:-

- Furloughed is when employers ask employees to take a temporary leave of absence due Coronavirus (COVID-19) but kept on the payroll.
- Affected employees will need to be designated as 'furloughed workers'. Changing the status of employees remains subject to existing employment law and, depending on the employment contract, may be subject to negotiation and therefore a variation of contract is recommended. Employers may need to seek legal advice on the process;
- To be eligible, employees must be furloughed and cannot work. If an employee is working, but on reduced hours, or for reduced pay, they will not be eligible for this scheme.
- Wages of furloughed employees will be subject to Income Tax and National Insurance as usual. Employees will also pay automatic enrolment contributions on qualifying earnings, unless they have chosen to opt-out;

How to claim Coronavirus Job Retention Scheme:-

- Once furloughed, employers are to pay employees through payroll, and report payments to HMRC using the Real Time Information (RTI) system;
- To claim **Coronavirus Job Retention Scheme** employers will need to run a payroll and then submit information to HMRC via a new online portal, expected to be ready in April;
- Employers can only submit one claim at least every 3 weeks, which is the minimum length an employee can be furloughed for.
- Claims can be backdated to 1 March if applicable, but will only be eligible to claim once the employee has been furloughed and stopped working;
- Once the claim has been approved, HMRC will pay it via BACS payment to a UK bank account. HMRC are working urgently to set up a system for reimbursement. The first set of payments are expected late-April 2020.