



Coronavirus Job Retention Scheme

What is it?

All UK employers with a PAYE scheme will be able to access support to be able to continue paying part of their employees' salary for those that would otherwise have been laid off during the COVID-19 pandemic.

This applies to all employees who have stopped working but are kept on the payroll, known as 'furloughed workers'. HMRC will reimburse the company 80% of the monthly wage costs of furloughed workers, up to £2,500 per month, plus the associated employer national insurance contributions and minimum automatic enrolment employer pension contributions on that wage. This is to safeguard workers from being made redundant. Should employers wish they can top up the salaries further.

This scheme will cover cost of wages backdated to 1 March 2020 and is initially open for 3 months. Employers can use this scheme anytime during the three month period.

By designating an employee as a 'furloughed worker' they cannot do any work.

Who is eligible?

- Any UK organisation with employees can apply, including:
 - Businesses
 - Charities
 - Recruitment agencies (agency workers paid through PAYE)
 - Public authorities
- An organisation which had created and started a PAYE payroll scheme on or before 28 February 2020
- An organisation must have a UK bank account

It should be noted that the government expects that the Scheme will not be used by many public sector organisations, as the majority of public sector employees are continuing to provide essential public services or contribute to the response to the coronavirus outbreak.

Where employers receive public funding for staff costs, and this funding is continuing, it is expected that this money be used to continue to pay staff and therefore not furlough the relevant employees.

Organisations who are receiving public funding specifically to provide services necessary to respond to Covid-19 are not expected to furlough staff. In a small number of cases, for example where organisations are not primarily funded by the government and whose staff cannot be redeployed to assist with the pandemic response, the scheme may be appropriate for some staff.

Who can I claim for?

Furloughed employees must have been on your PAYE payroll on 28 February 2020 and can be on any type of contract including:

- Full time employees
- Part time employees
- Employees on agency contracts
- Employees on flexible or zero-hours contracts

Employees who were made redundant since 28 February 2020 if they are rehired by their employer.

To reiterate, an employee who is designated as 'furloughed' cannot undertake any work on behalf of the organisation. If an employee is working, but on reduced hours, they will not be eligible for the scheme.



Coronavirus Job Retention Scheme

Employers should discuss with their staff and make any changes to the employment contract by agreement. When employers are making decisions in relation to the process, including deciding who to offer furlough to, equality and discrimination laws will apply in the usual way. Employers may need to seek legal advice on the process. If sufficient numbers of staff are involved, it may be necessary to engage collective consultation processes to procure agreement to changes to terms of employment.

Employers will need to write to the affected staff confirming that they have been furloughed and keep a record of this communication.

The minimum length of furloughing is 3 weeks.

What about employees on unpaid leave?

Employees on unpaid leave are not eligible for the scheme.

What about employees on Statutory Sick Pay (SSP)?

Employees on sick leave or self-isolating should get SSP and therefore cannot be furloughed during this time. They can however be designated as furloughed after this.

Employees who are shielding in line with public health guidance can be placed on furlough..

What about employees who have more than one job or do volunteering or training?

If an employee has more than one employer they can be furloughed for each job. Each job is viewed separately and the cap applies to each employer individually.

A furloughed worker can take part in volunteer work or training, as long as it does not provide services to or generate revenue for or on behalf of your organisation.

However if workers are required to for example, complete online training courses whilst they are furloughed, then they must be paid at least the National Living Wage / National Minimum Wage for the time spent training, even if this is more than the 80% of their wage that will be subsidised.

What are the implications on tax and other deductions?

Wages of furloughed workers are subject to income tax and national insurance as usual. Employees will also pay automatic enrolment contributions on qualifying earning, unless they have chosen to opt out.

Businesses are still liable to pay employer national insurance contributions as well as automatic enrolment contributions on qualifying earnings, unless an employee has opted out. Employer NI contributions and minimum pension contributions can be claimed on the lower of 80% of monthly wages or £2,500.



Coronavirus Job Retention Scheme

Working out what you can claim?

As noted above employers will receive a grant from HMRC for the lower of 80% of an employee's regular wage or £2,500 per month, plus the associated employer NI contributions and minimum automatic enrolment employer pension contributions on that subsidised wage. (More guidance will be issued on how employers should calculate their claims for employer NI and pension contributions before the scheme goes live)

For full time or part time employees the employee's actual salary before tax as of 28 February should be used to calculate the 80%. Fees, commission and bonuses should NOT be included.

For staff where their pay varies:

If they have been employed for at least 12 months prior to the claim then businesses can claim the higher of:

- The same month's earnings from the previous year
- The average monthly earnings from the 2019-20 tax year

If they have been employed for less than a year businesses can claim for an average of their monthly salaries since they started work.

If the employee only started in February 2020 businesses should use a pro-rata for the member of staff's earnings so far.

How do I access support?

To claim businesses will need:

- PAYE reference number
- the number of employees being furloughed
- the claim period (start and end date)
- amount claimed (per the minimum length of furloughing of 3 weeks)
- the businesses bank account details
- a contact name and phone number

Calculations of the amount of the claim should be retained as HMRC will retain the right to retrospectively audit all aspects of the claim. Businesses can only submit one claim at least every 3 weeks. Claims can be backdated until the 1 March if applicable.

Once the claim has been processed by HMRC the grant will be paid via BACS.

Tax treatment of the Coronavirus Job Retention Grant

Payments received by a business under the scheme are made to offset these deductible revenue costs. They must therefore be included as income in the business's calculation of its taxable profits for Income Tax and Corporation Tax purposes. Businesses can deduct employment costs as normal when calculating taxable profits for Income Tax and Corporation Tax purposes.



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What we don't know

1. The portal to be used is still unknown and HMRC are working urgently to set up a system for reimbursement. The aim is for the first grants to be paid before the end of April.

There are a number of HR issues to consider with regards to the process of furloughing of workers. At CK we work with a number of solicitors and HR professionals and would be happy to put you in touch with someone who can help. Get in touch with your usual CK contact to find out more.

As further information is published by the government we will update our summaries. Should you have any initial queries either contact your usual CK contact or look at the governments dedicated business support website businesssupport.gov.uk.