

# CORONAVIRUS UPDATE JOB RETENTION SCHEME

BASED ON HMRC GUIDANCE PUBLISHED ON 26 MARCH 2020

The Coronavirus Job Retention Scheme is a temporary scheme open to all UK employers for at least three months starting from 1 March 2020.

HMRC expect the scheme to be running by the end of April and published guidance on 26 March 2020 at the following link:

<https://www.gov.uk/guidance/claim-for-wage-costs-through-the-coronavirus-job-retention-scheme>

The purpose of these notes is to summarise key points from the HMRC guidance – the table below provides a snapshot of the scheme with further detail on the following pages.

**We will keep you up-to-date with developments regarding the scheme and the online portal as well providing advice regarding practicalities including:**

- processing payrolls that include furloughed workers; and
- calculating the amounts to be claimed for furloughed workers.

## A Snapshot of the Job Retention Scheme

|                                |   |
|--------------------------------|---|
| <b>Eligible Organisations</b>  | Any UK entity with employees provided they had a PAYE scheme in effect at 28 February 2020 and have a UK bank account.  |
| <b>Eligible Employees</b>      | <p>Employees on the payroll on 28 February 2020 who have been placed on furlough.</p> <p>This can include employees who were placed on unpaid leave after 28 February 2020 as well as employees made redundant after the same date provided they are re-hired.</p>  |
| <b>Eligible Contracts</b>      | Full-time and part-time employees, employees on agency contracts and employees on flexible or zero-hour contracts.  |
| <b>Grant Available</b>         | <p>For each employee placed on furlough the monthly grant available to an employer is the <b>LOWER</b> of:</p> <ul style="list-style-type: none"> <li>• 80% of the Employee's Regular Wage; or</li> <li>• £2,500 a month.</li> </ul> <p>In addition, HMRC will pay to cover employers national insurance costs and minimum employer pension costs (based on auto enrolment).<br/>The maximum grant available is expected to be around £2,800 a month.</p>   |
| <b>Employee's Regular Wage</b> | <p>For a salaried employee: the actual salary before tax as at 28 February 2020 but not including fees, commissions or bonuses.</p> <p>For an hourly paid employee (employed &gt; 12 months): the higher of average monthly earnings in the 2019/20 tax year or earnings in the same month in the previous year.</p> <p>For an hourly paid employee (employed &lt; 12 months): average monthly earnings since they started work.</p> <p>For an hourly paid employee (employed February 2020): based on a pro rata of their earnings so far.</p> |



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## What organisations are eligible to claim?

Any UK entity with employees, including:

- businesses;
- charities;
- recruitment agencies (where workers are paid through PAYE); and
- public authorities.

that has:

- a **PAYE scheme** that was created and started on or before 28 February 2020; and
- a **UK bank account**.

## What employees can be claimed for?

An **employee can be furloughed and claimed for if they were on your PAYE scheme on 28 February 2020** – an employee hired after this date cannot be furloughed or claimed for.

The minimum furlough period is expected to be three weeks.

The employee can be on **any type of contract** including:

- full-time employees;
- part-time employees;
- employees on agency contracts;
- employees on flexible or zero-hour contracts.

The **job retention scheme also covers:**

- employees who were made redundant after 28 February 2020 if they are rehired; and
- employees on unpaid leave provided they were placed on leave after 28 February 2020.

Note that:

- a **furloughed employee cannot perform work for or on behalf of their employer**;
- for people on agency contracts the furlough scheme only applies to employees who are not working; and
- if an employee is working either a reduced number of hours or for reduced pay then they are not eligible to be furloughed



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### Other points regarding employees that can be claimed for

- **employees on sick leave or who are self-isolating** should get Statutory Sick Pay but **can be furloughed when this period comes to an end**;
- **employees who are shielding based on public health guidance can be furloughed**;
- **employees with more than one job can be furloughed from each job** – the process is separate for each employer and the cap applies to each employer individually;
- employees can do volunteer work or training when on furlough provided they do not generate any revenue for your organisation;
- if an employee is on maternity leave and receives Statutory Maternity Pay the normal rules will apply. If you offer enhanced contractual maternity pay this qualifies as wages costs and can be claimed through the furlough scheme;
- the same principles apply to contractual adoption, paternity or shared parental pay.

### Implementation

Organisations should discuss furloughing with their employees and make any changes to employment contracts by agreement.

Legal advice may need to be sought and, if sufficient numbers of staff are involved, it may be necessary to engage collective consultation processes.

When employers are making decisions in relation to the furlough process, including deciding who to offer furlough to, then equality and discrimination laws apply in the usual way.

Finally, employees should write to affected employees confirming that they have been furloughed and should keep a record of this correspondence.



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## How to calculate what can be claimed?

The job retention scheme grant will cover:

- **£2,500 per month; OR**
- **80% of the Employee's Regular Wage IF LOWER.**

## PLUS:

- associated **employer national insurance** costs; and
- **minimum automatic enrolment employer pension contributions** (3% of income above the lower limit of £512pm to 5 April 2020 and £520pm from 6 April 2020).

## BUT WILL NOT COVER:

- fees and commissions; or
- bonuses.

**See overleaf for notes regarding the calculation of an Employee's Regular Wage.**

Employers must pay furloughed employees the lower of 80% of their regular wage of £2,500 per month.

Employers **can choose to top-up an employee's salary beyond this level but they are not obliged to do so under the scheme** – the scheme will not reimburse any top-up or associated employer national insurance or employer pension contributions.

HMRC have indicated that they will **publish more guidance around the calculation of claims for employer national insurance and pension contributions.**



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## **What is the Employee's Regular Wage (full- and part-time salaried employees)**

For full-time and part-time salaried employees, the **Employee's Regular Wage is their actual salary before tax, as of 28 February 2020.**

As noted above fees, commissions and bonuses should not be included.

## **What is the Employee's Regular Wage (employees whose pay varies)**

Where an **employee has been employed for a full twelve months prior to the claim then the Employee's Regular Wage** is the **HIGHER** of either:

- **the same month's earning from the previous year;** or
- **average monthly earnings from the 2019-20 tax year.**

If the **employee has been employed for less than a year the Employee's Regular Wage is the average of their monthly earnings since they started work.**

If the **employee only started in February 2020 then their Employee's Regular Wage is based on a pro-rata of their earnings so far.**

## **What about the National Living Wage / National Minimum Wage?**

HMRC have indicated that furloughed workers – who are not working – must be paid the lower of 80% of their salary or £2,500 per month.

It **does not matter if, based on their usual working hours, this would be less than the National Living Wage or National Minimum Wage.**

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



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## **What will be needed to make a claim and how will the process work?**

The information needed to make a claim will include:

- ePAYE 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);
- bank account number and sort code;
- contact name; and
- phone number.

**Employers will have to calculate the amount to be claimed** and have to pay all of the grant received in respect of gross pay to furloughed employees – no fees can be charged.

HMRC have noted that they will retain the right to retrospectively audit claims.

Employers will be able to submit one claim at least every three weeks, this being the minimum length of time that an employee can be furloughed for.

Claims can be backdated to 1 March 2020 if applicable but cannot go back before the actual date that an employee was placed on furlough.

**HMRC have indicated that claims should be made based on actual payroll amounts at the point at which a payroll is being run or in advance of an imminent payroll.**

## **Tax issues**

The **gross wages of furloughed employees will be subject to income tax and national insurance** as usual and employees will also pay automatic enrolment pension contributions unless they have chosen to opt-out or to cease saving into a workplace pension scheme.

For **businesses the grants are taxable income for income tax or corporation tax purposes** as applicable, as they are received to offset employment costs that are typically deductible costs for tax purposes.