

## JOB RETENTION SCHEME

### Frequently Asked Questions (as of 1<sup>st</sup> April 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. It is designed to support employers whose operations have been severely affected by coronavirus (COVID-19).

Employers can use a portal to claim for 80% of furloughed employees' (employees on a leave of absence) usual monthly wage costs, up to £2,500 a month, plus the associated Employer National Insurance contributions and minimum automatic enrolment employer pension contributions on that wage. Employers can use this scheme anytime during this period.

The scheme is open to all UK employers that had created and started a PAYE payroll scheme on 28 February 2020.

#### **Q1: What does 'furloughed' workers mean**

Furloughed workers are those whose employers cannot cover staff costs due to coronavirus, and as such they have been asked to stop working but have not been made redundant. They will take a temporary leave of absence where they do not work but are retained on payroll and resume their duties when they are needed again.

#### **Q2: Is any work allowed?**

Furlough means that the employee **MUST NOT** carry out any work

#### **Q3: Can directors of a company be furloughed?**

Please refer the section: "***Sole directors and the Coronavirus Job Retention Scheme***" at the end of this document.

#### **Q4: Does the scheme apply to all employers?**

Any UK organisation with employees can apply, including:

- businesses
- charities
- recruitment agencies (agency workers paid through PAYE)
- public authorities

You must have created and started a PAYE payroll scheme on or before 28 February 2020 and have a UK bank account. Where a company is being taken under the management of an administrator, the administrator will be able to access the Job Retention Scheme.

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**Q5: What actions do employers need to take?**

You will need to choose which of your workforce will be furloughed employees and then submit that information to HMRC, along with each employee's earnings.

**Q6: What if only certain employees are furloughed?**

As per Q5, employers need to choose which employees are furloughed. If you are not placing everyone on furlough, you should consider carefully which employees it applies to.

Please seek advice from an employment law and/or HR specialists as the decision may result in discrimination claims because of their age, disability or pregnancy.

Clear thought and consideration need to be made about those workers whose skills will continue to be in demand. This may help justify why some were furloughed and why others were not.

You might also consider asking for volunteers across the workforce and there does not appear to be a maximum number of employees who can be furloughed.

**Q7: How much can employers claim from the government?**

When employers have chosen which employees are furloughed and notified HMRC of their earnings the employer will then receive a grant to cover the 80% their wages. The grant will be liable for income tax and employee national insurance contributions (NICs).

The Chancellor stated that he hopes the first grants will be paid by the end of April 2020, and they will be backdated to 1 March 2020.

The scheme is initially intended to run for three months but may be extended.

**Q8: What is the 80% grant based on?**

The maximum grant will be calculated per employee and is the lower of:

- 80% of 'an employee's regular wage' and.
- £2,500 per month.

**Plus** the associated employers' national insurance contributions (NIC) on this amount and the minimum automatic enrolment employer pension contributions on that wage.

This gives a maximum cap of £2,500 +£245 (employers' NIC) + £59 (auto-enrolled pension contribution) = £2,804 of total possible grant that can be applied for per employee per month.

As of the 31<sup>st</sup> of March, the grant is only available in respect of employees on the payroll at **28 February 2020**.

**Q9: What about bonuses, commission, fees and overtime?**

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Fees, commission and bonuses should not be included in the calculation of the employees' regular wage. It is unclear at this stage how overtime will be treated.

**Q10: What about workers on zero hours contracts or irregular hours?**

The Chancellor said the intention was to try to cover as broad a group of people as possible. It has been suggested (as yet unconfirmed) that the 80% test would apply to such workers' February 2020 pay.

**Q11: Do employers still need to pay the full 100% salary to the employee?**

No, there is no requirement to do this, employers can do so if they wish. They would need to make up the other 20%. Many employers will choose to reduce the employee's pay to the amount funded by the government.

**Q12: What about employees on short time working?**

Furlough requires the employee to not carry out any work, so short time working could not continue during furlough.

Please seek advice from an employment law and/or HR specialist.

## **Sole directors and the Coronavirus Job Retention Scheme**

**Q1: What can I claim?**

You can claim a grant of up to 80% of your 'regular wage' or £2,500 (whichever is lower). This claim can be backdated to 1 March 2020 but would only be available from the date the director is actually furloughed. The scheme will last for at least three months.

**Q2 By when does my PAYE scheme need to be in place?**

The employers' PAYE scheme must have been created and started by 28 February 2020 and you must also have a bank account in the UK. You must be on the payroll as at this date.

**Q3: Can I claim if I work part-time in the business?**

Yes, full-time and part-time directors on the payroll can claim.

**Q4: What if my salary is paid annually?**

Our current understanding is that this should be acceptable.

**Q5: What if I just reduce my hours or pay?**

If the director is still working, even for reduced hours or pay, they will not be able to claim via this scheme.

**Q6: How do I calculate my 'regular wage'?**

Your regular wage is the higher of the same month's earnings from the previous year or the average monthly earnings from the 2019-20 tax year.

**Q7: How do I claim?**

You might need to take legal advice on this, but as a minimum we suggest that the company writes a letter advising the director that they have been 'furloughed' and a copy of this should be kept on the file to support any claim. Again, we suggest you keep an eye on our website in case this advice changes.

Wages must continue to be paid (along with tax and NI) to directors at least until the portal is up and running to make the claim for the grant at a minimum of 80% of their regular wage or £2,500 per month.

**Q8: How is the grant accounted for in the company's books?**

As income subject to corporation tax.

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