

Coronavirus Job Retention Scheme: The Next Steps

As of 31 March 2020

The Next Steps

We've created a step by step guide to help you apply for the government's Job Retention Scheme. We've also disclosed the most up to date information on the scheme as of 31 March 2020.

1 **Check qualification criteria met**

2 **Identify employees to be furloughed**

3 **Communicate this to relevant employees**

Give employees a Furlough letter and ensure they sign to agree to terms (We would suggest speaking with an HR/Legal adviser to ensure this is completed correctly).

4 **Stop employees working**

5 **Provide us with the following information:**

A Names of employees furloughed

B Date furloughed period started and ended for each employee

C Copies of written agreements with employees confirming furloughed status

D Confirmation that employees won't be completing any work for the organisation during the furloughed period.

E Business bank account and sort code

F Details of any top-up salaries to add

G Details of any volunteer work or training completed by any furloughed employees during the period

6 **We will prepare and submit the claim to HMRC**

Once the online portal is available, we will prepare and submit the claim on your behalf. It is expected to be available by the end of April 2020.

7 **Keep Employees informed about timings**

Keep them informed about the wage payments (particularly if this is subject to Government reimbursement of the grant).

8 **Receive the grant directly into your bank account**

Key Qualification Criteria

Created and started a PAYE payroll scheme on or before 28 February 2020.

Hold an open UK bank account.

Not receive public funding for staff costs.

Employee must be on the organisation's PAYE payroll on 28 February 2020 (including any employees who have subsequently been made redundant but can be rehired).

Furloughed employee must not undertake work for or on behalf of the organisation. (including providing services or generating revenue).

Directors can also make a claim. The eligibility criteria and furloughing requirements are identical to those applying for employees. Directors will need to sign a Furlough letter and not complete any work for the organisation during the furlough period other than their usual statutory duties. Dividends are not included within the scheme so directors can only claim 80% of their salary, subject to the £2,500 monthly cap. If you think this may apply to you, please let us know and we can provide further guidance on director eligibility.

Job Retention Scheme: Guide

What organisations can claim?

Qualification criteria

Any UK organisation with employees, including:

- Businesses.
- Charities.
- Recruitment agencies (agency workers paid through PAYE).
- Public authorities.

If any of the above organisations are taken under the management of an administrator, the administrator will be able to access the scheme

Public Sector

If the organisation operates in the public sector, the government does not expect the scheme to be used as the majority of public sector employees are continuing to provide essential services in response to the coronavirus outbreak.

If the organisation receives public funding specifically to provide services necessary to respond to COVID-19 then the staff cannot be classified as furlough.

Which employees can you claim for?

Employees who have been asked to stop working, but have not been made redundant due to the coronavirus outbreak. These employees are classed as furloughed.

Furloughed employees must have been on your organisation's 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-hour contracts.

The scheme also covers employees who were made redundant since 28 February 2020, if they are rehired by their employer.

Directors who pay a salary through the payroll are also eligible but in order to qualify they must not undertake any work, beyond their usual statutory duties, during the furloughed period.

Key Things to note

- The furloughed employee can not undertake work for or on behalf of the organisation.
- While on furlough, the employee's wage will be subject to usual income tax and other deductions.
- This scheme is also for employees on agency contracts, but who currently are not working.
- If an employee is working, but on reduced hours, or for reduced pay, they will **not** be eligible for this scheme and the employer will have to continue

paying the employee through the payroll and pay their salary subject to the terms of the employment contract agreement.

- Employers **must** discuss the situation with their employees and make any changes to the employment contract by agreement.
- When making decisions in relation to the process, including deciding who to offer furlough to, equality and discrimination laws will apply in the usual way.
- To be eligible for the subsidy employers **must** write to your employee confirming that they have been furloughed and keep a record of this communication.
- Employees hired after 28 February 2020 cannot be furloughed or claimed for in accordance with this scheme.
- Employers do not need to place all employees on furlough.

If your employee is on unpaid leave

Employees on unpaid leave cannot be furloughed, unless they were placed on unpaid leave after 28 February.

If your employee is on Statutory Sick Pay

Employees on sick leave or self-isolating should get Statutory Sick Pay, but can be furloughed after this.

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

If your employee has more than one job

If your employee has more than one employer they can be furloughed for each job. Each job is separate, and the cap applies to each employer individually.

If your employee does volunteer work or training

A furloughed employee 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 the organisation which has applied furloughed status to them.

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

If your employee is on Maternity Leave, contractual adoption pay, paternity pay or shared parental pay

Individuals who are on or plan to take Maternity Leave must take at least 2 weeks off work (4 weeks if they work in a factory or workshop) immediately following the birth of their baby. This is a health and safety requirement. In practice, most women start their Maternity Leave before they give birth.

If your employee is eligible for Statutory Maternity Pay (SMP) or Maternity Allowance, the normal rules apply, and they are entitled to claim up to 39 weeks of statutory pay or allowance.

Employees who qualify for SMP, will still be eligible for 90% of their average weekly earnings in the first 6 weeks, followed by 33 weeks of pay paid at 90% of their average weekly earnings or the statutory flat rate (whichever is lower). The statutory flat rate is currently £148.68 a week, rising to £151.20 a week from April 2020.

If an organisation offers enhanced (earnings related) contractual pay to women on Maternity Leave, this is included as wage costs that can be claimed through the scheme.

The same principles apply where an employee qualifies for contractual adoption, paternity or shared parental pay.

How much can I claim?

Employers need to make a claim for wage costs through this scheme.

You will receive a grant from HMRC to cover the lower of 80% of an employee's regular wage or £2,500 per month, plus the associated Employer National Insurance contributions and minimum automatic enrolment employer pension contributions on that subsidised wage. Fees, commission and bonuses should not be included.

At a minimum, employers must pay their employee the lower of 80% of their regular wage or £2,500 per month. An employer can also choose to top up an employee's salary beyond this but is not obliged to under this scheme.

The government will issue more guidance on how employers should calculate their claims for Employer National Insurance Contributions and minimum automatic enrolment employer pension contributions, before the scheme becomes live.

Full time and part time employees

For full time and part time salaried 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.

Employees whose pay varies

If the employee has been employed (or engaged by an employment business) for a full twelve months prior to the claim, you can claim for the higher of either:

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

If the employee has been employed for less than a year, the employer can claim for an average of their monthly earnings since they started work.

If the employee only started in February 2020, a pro-rata for their earnings so far can be used to claim.

Employer National Insurance and Pension Contributions

All employers remain liable for associated Employer National Insurance contributions and minimum automatic enrolment employer pension contributions on behalf of their furloughed employees.

An employer can claim a grant from HMRC to cover wages for a furloughed employee, equal to the lower of 80% of an employee's regular salary or £2,500 per month, plus the associated Employer National Insurance contributions and minimum automatic enrolment employer pension contributions on paying those wages.

An employer can choose to top-up an employee's salary in addition to the grant. Employer National Insurance Contributions and automatic enrolment contribution on any additional top-up salary will not be funded through this scheme. Nor will any voluntary automatic enrolment contributions above the minimum mandatory employer contribution of 3% of income above the lower limit of qualifying earnings (which is £512 per month until 5th April and will be £520 per month from 6th April 2020 onwards).

National Living Wage/National Minimum Wage

Individuals are only entitled to the NLW/NMW for the hours they are working.

Therefore, furloughed workers, who are not working, must be paid the lower of 80% of their salary, or £2,500 even if, based on their usual working hours, this would be below NLW/NMW.

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

What you'll need to make a claim

You 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).
- Business bank account number and sort code.
- Contact name.
- Contact phone number.
- Calculation of the amount which will be claimed.

Please note that HMRC will retain the right to retrospectively

tively audit all aspects of your claim.

How to claim

An employer 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 the 1 March if applicable.

What to do after you've claimed

Any claims should be made in accordance with actual payroll amounts at the point at which the payroll is run or in advance of an imminent payroll.

An employer **must** pay the employee **all the grant you receive for their gross pay**, no fees can be charged from the money that is granted. Employers can choose to top up the employee's salary, but you do not have to.

Contact Us

Please be aware that the government advice and detail surrounding the available options is changing on a daily basis. This document and the information presented is therefore accurate as of:

31 March 2020

For the latest news and advice please visit our Facebook, LinkedIn and website pages. If you have any immediate questions or if you would like to discuss any of the options further please contact us via email or give us a call on our usual office telephone numbers:

Bramley: 01483 898 400
Farnham: 01252 856 977
London: 020 7846 0084



We'd like to thank Mike Clyne of FeMan Consulting for his kind input into producing this document. Mike provides HR support and advice for small businesses. If you require any further informal assistance or support of this nature, including a Furlough Worker letter template, please feel free to contact Mike via the details noted below.

FeMan Consulting Limited

Mike Clyne

mike@femanconsulting.co.uk

