



**BRIEFING NOTE
27 MARCH 2020**

CORONAVIRUS JOB RETENTION SCHEME

HMRC published the first official guidance on the Coronavirus Job Retention Scheme on 26 March 2020. We have summarised the key points from the guidance below.

Eligibility

- 1) The Scheme is open to all UK employers that operated a PAYE payroll scheme on or before 28 February 2020.
- 2) Claims cannot be submitted on behalf of employees hired after 28 February 2020 and these employees cannot be furloughed.
- 3) The scheme is available for full-time, part-time, agency and zero-hours contracts.
- 4) The scheme covers employees who were made redundant since 28 February 2020 if they are rehired.
- 5) If an employee has more than one employer they can be furloughed for each job. Each job is separate, and a claim can be submitted by each employer individually.

Period of Furlough

- 6) During a period of furlough, an employee cannot undertake any work at all including providing any service or generating any revenue for the employer.
- 7) A furloughed employee can take part in volunteer work or training, as long as they do not provide services to generate revenue for, or on behalf of the employer.
- 8) An employee working reduced hours or for reduced wage will not be eligible for the scheme.
- 9) If workers are required to complete online training courses whilst they are furloughed, then they must be paid at least National Minimum Wage for the time spent training.
- 10) Discrimination laws apply as normal to all decisions about furlough so be cautious about using health conditions as the basis for placing someone on furlough.
- 11) Employers can only submit one claim every 3 weeks which is the minimum length of time an employee can be furloughed.

Furlough Payment

- 12) The grant from HMRC will cover the lower of 80% of an employee's regular wage or £2500 per month.
- 13) Employers must pay employees the lower of 80% of their regular wage or £2500 per month. An employer can also choose to top up the employee salary bill on this but it is not obliged under the scheme.
- 14) Wages of furloughed employees will be subject to income tax and national insurance in the usual way.
- 15) Unless the employee has chosen to opt out or to cease saving into a pension scheme, employee and employer contributions must continue as normal.
- 16) Employers must pay the employee all the grant that is received as gross pay. No fees can be charged from the money that is granted.
- 17) Employer national insurance contributions and auto enrolment contributions on any additional top-up salary will not be funded through the scheme.
- 18) Individuals are only entitled to national living wage or national minimum wage for hours they are working. As a result, furloughed workers, who are not working, can be paid below those rates.
- 19) If employees are eligible for statutory maternity pay or maternity allowance, the normal rules apply. If the employer offers enhanced contractual pay to women on maternity leave, this is included as wage costs that can be claimed through the scheme.
- 20) Claims for furlough payments can be backdated to 1 March 2020 if applicable.

Calculating the Payment

- 21) For full-time and part-time salaried employees, the employee's actual salary before tax, as of 28 February 2020 should be used to calculate the 80%. Fees, commissions and bonuses should not be included.
- 22) For employees whose pay varies, various alternatives are available. Either use the same month's earnings from the previous year or the average monthly earnings for 2019/20 tax year. If the employee has been employed for less than a year then use the average of their monthly earnings since they started work. If the employee only started in February 2020, use a pro rata for their earnings so far.
- 23) Associated employer national insurance contributions and minimum auto enrolment pension contributions are covered. Fees, commissions and bonuses are not.

Procedure for Furloughing Employees

- 24) Employers should write to employees to confirm they have been placed on furlough and keep a record of the communication.
- 25) Employees on sick leave or self-isolating should claim sick pay as normal but can be furloughed after the sick period comes to an end.
- 26) Employees who are shielding can be placed on furlough.
- 27) Employment contracts may need to be amended in light of the changes. Normal employment law rules apply for contract changes.
- 28) If sufficient members of staff are involved in any changes to contracts, it may be necessary to engage collective consultation procedures.

The full Government guidance can be found on www.gov.uk/guidance/claim-for-wage-costs-through-the-coronavirus-job-retention-scheme.

If you require any specific advice regarding the Coronavirus Job Retention Scheme, or any other information regarding Coronavirus generally, please contact the Machins' Employment Department on 01582 514 000.