

## Coronavirus Job Retention Scheme

### Latest Update (20 April 2020)

***The Coronavirus Job Retention Scheme has been extended to the end of June 2020 (previously end of May 2020).***

It has been confirmed that the dedicated HMRC portal for employers to make claims would go live at 08.00 on Monday 20 April 2020 and that 2 million employers would receive an email with details on how to make a claim.

This included links to [updated guidance](#) on how to calculate the claim and a simple [step-by-step guide](#).

There will also be a calculator available for employers to check their calculations online before they make your claim.

Employers have been advised to have all of their information and calculations ready before they begin your application. Employers should retain all records and calculations in case HMRC need to contact them.

The information required is:

- 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 consecutive weeks)
- bank account number and sort code
- contact name
- phone number

It was previously reported that .xls, .xlsx, .csv and .ods files can be used for uploading employees but only for 100 or more employees. For less than 100 employees, we were expecting individual entries would be needed.

HMRC have said that they will be paying grants within 6 business days; so early applicants can expect to receive these on Monday 27 April 2020.

### **Main Scheme Details**

On Friday 20 March, the Chancellor announced an unprecedented economic intervention with the Government stepping in and helping to pay people's wages. This has been modified many times since the original announcement and below details the most up to date position.



### What it is and what will it cover?

The Coronavirus Job Retention Scheme will be a government grant – to reimburse employers for 80% of furloughed workers wage costs, to a cap of £2,500 per month.

Further the scheme will be:

- Backdated to March 1st
- Open initially for at least four months (previously three months) and will continue to be monitored and extended further if necessary'

In addition, employers can also claim the associated employers' national insurance contributions (NIC) on this amount and the minimum automatic enrolment employer pension contributions on that wage.

Please note employers can top up wages to beyond the scheme maximum thresholds if they wish, but there is no requirement to do this.

### Past Overtime, Fees, Commission, Bonuses and non-cash payments

You can claim for any regular payments you are obliged to pay your employees. This includes wages, past overtime, fees and compulsory commission payments. However, discretionary bonus (including tips) and commission payments and non-cash payments should be excluded.

### Benefits in Kind and Salary Sacrifice Schemes

The reference salary should not include the cost of non-monetary benefits provided to employees, including taxable Benefits in Kind. Similarly, benefits provided through salary sacrifice schemes (including pension contributions) that reduce an employee's taxable pay should also not be included in the reference salary.

Where the employer provides benefits to furloughed employees, this should be in addition to the wages that must be paid under the terms of the Job Retention Scheme.

Normally, an employee cannot switch freely out of a salary sacrifice scheme unless there is a life event. HMRC agrees that COVID-19 counts as a life event that could warrant changes to salary sacrifice arrangements, if the relevant employment contract is updated accordingly.

### Who is eligible for the scheme?

All UK businesses are eligible (or in the Chancellor's words "Any employer in the country – small or large, charitable or non-profit – will be eligible for the scheme.")

### What employees are eligible?

Furloughed employees must have been on the PAYE payroll on 19 March 2020 (previously 28 February 2020). However, these employees not only need to be on the payroll by 19 March but also must have been notified to HMRC on an RTI (Real Time Information) submission by that date. They can be on any type of contract, including:

- full-time employees;

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

Employees whose pay varies

If the employee's salary varies (e.g. staff on zero- hour contracts) and they have been employed for a full

twelve months prior to the claim, employers claim for the higher of either:

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

Employees who have worked less than a 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, use a pro-rata for their earnings so far to claim.

If an employee is between jobs, what support is available?

The scheme also covers employees who left their job or were made redundant since 19 March 2020, if they are rehired by their employer.

New employees hired after 19 March 2020 cannot be furloughed or claimed for in accordance with this scheme.

### Scheme administration

Coronavirus Job Retention Scheme will be administered by HMRC.

Employers will need to:

- Designate affected employees as 'furloughed workers' (see further below)
- Submit information to HMRC about the employees that have been furloughed and their earnings through a new online portal (HMRC will set out further details on the information required).

As noted above the grant is a reimbursement to the employer therefore the employer will make the wage/salary payment to the furloughed worker and then be reimbursed by HMRC.

### When will the scheme be live?

The online portal is live on 20 April 2020 and payments are expected to be made in 6 working days.

### What is a furloughed worker?

We understand that furloughed workers are "workforce who remain on payroll but are temporarily not working during the coronavirus outbreak".

To be eligible for the subsidy, when on furlough, an employee can not undertake work for or on behalf of the organisation. This includes providing services or generating revenue.

It is noted that employers will need to notify employees of this change in employment status to furloughed, but that changing the status of employees remains subject to existing employment law and, depending on the employment contract, may be subject to negotiation.

### Can furloughed workers be rotated?

It appears as though they can. Some employers have work for some staff, but not enough work for all. It appears that employees can be placed on furlough more than once.

This suggests that employers can rotate employees on furlough, so long as each employee spends a minimum of three weeks on furlough. This would mean, for example, that an employer can select an initial group of employees for furlough while a second group remain at work. The first group could then come back to work while the second group take their turn on furlough.

### How long can workers be furloughed?

The minimum length of furloughing is three weeks. An employee can however be furloughed multiple times, subject to the minimum time period of three weeks, as often as the employer and employee agree.

The scheme will be open for an initial period of four months (1 March to 30 June 2020) but it might be extended. *This has already been extended by 1 month.*

Employers are likely to want to reserve the right to call employees back from furlough if trading conditions improve.

#### Can a Financial Adviser be furloughed?

The following is our current understanding, but we are expecting further guidance from the FCA shortly.

It is possible to furlough an adviser, but we would only expect to see this happen where the work undertaken, including client reviews, new business or any ad hoc client queries that come in can be picked up by another adviser in the business.

This is more viable where the adviser deals with transactional business, such as mortgage advice, or for trainees, where the work is already overseen by a more senior adviser who might already have a working relationship with the clients. It should be uncommon in small investment advice firms.

A furloughed adviser cannot continue to work during this period so some thought should be given to re-routing calls and emails.

### Can a furloughed worker do 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.

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.

### Can a furloughed worker continue with their Continued Professional Development (CPD)

This is relevant for Financial Advisers.

Our understanding is that a furloughed worker should keep up to date with their CPD. This is based on the understanding that, even whilst furloughed, they are authorised to give advice.

If a furloughed worker is selected for a CPD audit, we would expect the relevant trade body to be as flexible as possible during the current time.

### Can an apprentice be furloughed

Apprentices can be furloughed in the same way as other employees and they can continue to train whilst furloughed.

However, you must pay your Apprentices at least the Apprenticeship Minimum Wage, National Living Wage or National Minimum Wage (AMW/NLW/NMW) as appropriate for all the time they spend training. This means you must cover any shortfall between the amount you can claim for their wages through this scheme and their appropriate minimum wage.

### Can a personal employee (e.g. child's nanny) be furloughed

Individuals can furlough employees such as nannies provided they pay them through PAYE and they were on their payroll on, or before, 19 March 2020.

### Can employees who are shielding or have caring responsibilities be furloughed

You can claim for furloughed employees who are shielding in line with public health guidance (or need to stay home with someone who is shielding) if they are unable to work from home and you would otherwise have to make them redundant.

Similarly, employees who are unable to work because they have caring responsibilities resulting from coronavirus can be furloughed. For example, employees that need to look after children can be furloughed.

### Can company directors be furloughed?

Company directors that receive salaries through PAYE can be furloughed.

Company directors owe duties to their company which are set out in the Companies Act 2006. Where a company (acting through its board of directors) considers that it is in compliance with the statutory duties of one or more of its individual salaried directors, the board can decide that such directors should be furloughed. Where one or more individual directors' furlough is so decided by the board, this should be formally adopted as a decision of the company, noted in the company records and communicated in writing to the director(s) concerned.

The same rules apply about not being able to provide services to or generate revenue for, or on behalf of the company. This could include tweeting from an official account or on behalf of the company. Also, they cannot make phone calls or discuss the firm or its business.

Where furloughed directors need to carry out particular duties to fulfil the statutory obligations they owe to their company (e.g. relating to filing documents to Companies House at the correct time), they may do so provided they do no more than would reasonably be judged necessary for that purpose.

This also applies to salaried individuals who are directors of their own personal service company (PSC).

### Can furloughed employees take other jobs?

People on furlough and being paid 80% of their regular pay by their employer to do nothing under the Coronavirus Job Retention Scheme can take other work along as their employment contract does not forbid it.

### How do you furlough your workers?

Two example furlough letters are included in Appendices 1 and 2.

### Money Saving Expert - guide for employees and small firms

For some employees and employers without HR departments, furloughing can seem complex. Money Saving Expert have produced a quick info sheet which is intended to make it simple, allowing employees and employers to help each other through it. This is included in Appendix 3.

### What you'll need to make a claim

Employers should discuss with their staff and make any changes to the employment contract by agreement. 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.

To claim, you will need:

- your 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 consecutive weeks)
- your bank account number and sort code
- your contact name
- your phone number

You will need to calculate the amount you are claiming. HMRC will retain the right to retrospectively audit all aspects of your claim.

**Draft furlough letter v1**

[date]

[state how delivered: e.g. By Hand or 1st Class and Registered Post]

PRIVATE & CONFIDENTIAL

[name/address]

Dear [name]

Re: Furlough Period

This letter is to inform you that, as agreed with you on 26<sup>th</sup> March 2020, your current position with Financial Advisers at xxx Road is being “furloughed” effective from 27th March, 2020 and until further notice. Furlough is a temporary period of leave to help us deal with the fact that there is no work available for employees at this time due to the current COVID-19 situation.

You will remain employed during the furlough period and your usual contractual terms will apply.

Therefore, with effect from 27th March 2020, you are not required to attend work until we contact you to tell you that you are required to return to work. You must remain available for work during this time so that we can bring you back in immediately as the situation changes.

We will be applying to HMRC to claim funding to pay you furlough pay via its Coronavirus Job Retention Scheme (CJR Scheme). Please note that the government has not issued full information about this scheme yet. However, they have indicated that they intend for the CJR Scheme for last at least three months from 1 March 2020 but will extend it if necessary. Further, the government has indicated that applications for the CJR Scheme will need to be made via a new HMRC portal. As we understand it, the HMRC portal is being built and is not available yet.

If, once we are able to make the application via HMRC’s new portal, this application is accepted, you will receive 80% of your wages for the period of furlough during which the CJR Scheme applies and provided that you remain on furlough. Please note that at the time of writing, we do not know how HMRC will calculate pay and wages. This letter does not create any legal obligation to pay more than HMRC will pay under the scheme.

We will contact you again when we know whether we have been able to secure the funding to pay you the 80% furlough pay.

We shall attempt to keep this period of furlough as short as possible. We will continue to seek appropriate work for you and will notify you as soon as possible when work becomes available. In this respect, please ensure that you have provided me with your current contact details to avoid any delay in us contacting you. So, for example, it is important to ensure that you have provided:

- A working email address;
- Your landline telephone number;

- Your mobile telephone number;
- Your home address; and
- If you temporarily leave to self-isolate for example, your temporary address (and update us when you return to your permanent/normal address).

It is also important that you keep us updated as to whether you have been advised to self-isolate or are ill since this may affect your entitlement to furlough pay.

For speed and efficiency (and to avoid unnecessary burden on the postal service), our intention is to communicate with all staff via the email addresses provided. If you do not have an email address or there are reasons why this is not a suitable form of communication for you, please let me know. We will only use alternative means of communication where it becomes necessary.

If you have any queries during this period, please contact me in the first instance at email address.

Your co-operation during this difficult period is greatly appreciated.

Yours sincerely

Joe Bloggs

Practice Manager

Financial Advisers

## Draft furlough letter v2

Dear [name of employee/worker]

As discussed with [name of HR/manager] on [date when furlough was discussed with employee/worker], we will place you 'on furlough'.

This means that you will still be employed by us [although at a lower rate of pay]. You will not do any work for us during the furlough period. We can then use the Government's Coronavirus Job Retention Scheme, which covers 80% of your normal pay [for employees earning more than £2,500 per month, add 'up to a maximum of £2,500 per month'].

[In this way, we hope to keep the business going and avoid redundancies if possible until matters get back to normal.]

If you agree to be placed on furlough, your contract of employment will be temporarily varied. You will need to sign to confirm your agreement to the variation in the section at the end of this letter headed "confirmation of agreement" and return a copy to us. We are sending two copies of this letter so that you can keep one for your records. Unless we agree otherwise and unless your contract of employment is terminated by you or by us before that date, the temporary variation will come to an end on the date when you return to normal work.

Your period of furlough will begin on [date]. It will last for at least three weeks and may last up to three months. After three weeks, we will keep the situation under review. The three months may need to be extended and, if so, we will discuss this with you. As soon as we think we can get you back to work as normal, we will give you notice and will expect you to return to work immediately unless agreed otherwise.

Please confirm your contact details in the section at the bottom of this letter so that we can keep in touch.

To summarise, this is how furlough will work:

1. Based on your [monthly/weekly] [wage/salary], while on furlough we will pay you [amount per week].  
This amounts to [80%/the maximum amount that can be claimed under the Job Retention Scheme/if you are topping up pay provide relevant details here] of your [wage/salary].  
This amount is subject to deductions for tax and national insurance in the usual way.
2. In addition to that [wage/salary], we will pay employer national insurance contributions and minimum automatic enrolment employer pension contributions on that [wage/salary].
3. Your contract of employment will continue with [name of employer], but the terms of the Job Retention Scheme require that you do not do any work for us during the furlough period.
4. While your statutory rights are unaffected by this variation to your contract of employment, your contractual entitlements to pay and other financial benefits during the furlough period are limited to [[those in points 1 and 2] [plus the following additional benefits, if any: please list]].

If you agree to this temporary variation, please sign and date below and return a signed copy of the letter to [HR/Manager] by [insert date].

If you have any questions about your entitlement to annual leave or any other of your rights or entitlements during the period of furlough, please direct those questions to [HR/Manager].

Yours sincerely

[name of employer]

Confirmation of agreement

We agree that the contract of employment between [name of employee/worker and name of employer] will be temporarily varied and that [name of employee/worker] will be placed on furlough on the terms set out in this letter.

Signed: \_\_\_\_\_ Date: \_\_\_\_\_ (Employee/Worker)

Signed: \_\_\_\_\_ Date: \_\_\_\_\_ (Employer)

Employee/worker contact details:

Tel: \_\_\_\_\_

Email: \_\_\_\_\_

Address: \_\_\_\_\_

## Money Saving Expert – need to know guide for employees and small firms

For some employees and employers without HR departments, furloughing can seem complex. This in itself may stop some employers agreeing to implement this important financial lifeline. This quick info sheet is intended to make it simple, allowing employees and employers to help each other through it. While it is an employer's choice whether to furlough, hopefully this will give employers confidence to furlough staff (and former staff) when appropriate.

- 1. Furloughing means an employee's job is put on standby.** The Coronavirus Job Retention Scheme allows firms to put employees who were on the payroll on 28 February on furlough (a bit like a job 'standby' mode), meaning they don't work but get paid by the employer with money provided by the state. Furloughing can be backdated to 1 March 2020.
- 2. It is a grant not a loan.** The money firms receive to cover furloughing does NOT need repaying.
- 3. All core staff costs are covered.** The state will pay for 80% of a furloughed employee's salary up to a maximum payout of £2,500 a month – plus the employer's national insurance contribution and minimum pension contribution.
- 4. Employers can top the furlough up to 100% of salary, but don't need to.** The employer is allowed to pay employees just the furlough amount, if its finances mean it can't pay more.
- 5. Not all employees need to be furloughed.** Some staff can be furloughed, while others keep working.
- 6. Furloughing can be for as little as 3 weeks.** Furloughing can be from 3 weeks to 3 months (though the scheme could be lengthened). So, if a firm's work is variable, furloughing can be used to help the firm get through tough periods, then go back to work, then furlough staff again if needed.
- 7. Employees who can't work due to school closures can be furloughed.** The Treasury has confirmed those unable to work as schools are closed and they need to be home to look after children, may be furloughed.
- 8. Firms can furlough those shielding in line with public health guidelines.** If people are in the vulnerable category, so have to stay at home, and can't work from home, they can be furloughed.
- 9. Furloughing is better for employees than redundancy or unpaid leave.** Employers aren't doing wrong by furloughing, they're doing right. The government's aim is to 'protect financial victims of coronavirus' and 'enable firms and employees to quickly pick up where they were, once this all ends'. So if employees need furloughing, employers should try to furlough them. To help, ACAS has at speed (so we could include it) produced templates employers can use to furlough staff.... <https://www.acas.org.uk/furlough-letter-template>
- 10. Furloughing is better for most staff than cutting hours.** If only limited work hours are needed then it may be better to furlough some staff, and keep the others on full time, rather than halving everyone's hours.
- 11. If staff left after 28 Feb for redundancy or a new job, they can be rehired and furloughed.** Employees on the payroll on 28 Feb can be rehired to be furloughed, providing the reason they don't have income now is an economic knock-on effect of coronavirus (eg their new employer retracted job offer/made them redundant).

**12. The furlough grant will come at the end of April – employers with cash flow struggles can talk to their teams.** Firms may struggle with cash flow to cover salaries before the payment is made. If so, a discussion about not paying the salary in full until the payment arrives may help all parties – if it enables a firm to furlough rather than make redundant.

Full info and explanation at <https://mse.me/furlough> and the gov.uk coronavirus guides for employers and employees.