

Coronavirus Job Retention Scheme FAQs

The following describes our understanding of the scheme and is our current guidance based on information published on 26 March 2020.

Which businesses are eligible?

Eligible businesses include charities and not-for-profit organisations and will include single director companies, although the same rules will apply as to other businesses. The grant applies to all UK based businesses.

Owner/managed companies

Many owner managed company director/shareholders pay small salaries and the balance of income as dividends. The scheme does not extend to dividends. Only the salary is relevant to the scheme. Such companies must have been paying a salary through a payroll to be eligible for a grant.

How is payment going to work in practice?

We understand that the employer will pay the contractually agreed amounts as required by the employment contract in the usual way. This will involve paying the employee the net salary, and HMRC the PAYE and both primary and secondary national insurance Contributions. The grant will be paid directly to the employer. We do not know how this will operate for employers which use a payroll agency.

Employers will claim the grant through a new separate portal to be built by HMRC.

What is the £2,500 maximum grant based on?

As the £2,500 limit to the monthly grant appears to cover all employment costs, it is unclear how benefits in kind, and in particular those being payrolled, will be reflected in the calculation.

For full-time and part-time employees, the base for the 80% calculation is the employee's actual salary as of 28 February 2020.

For employees whose pay varies, HMRC guidance advises the following:

"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 earnings from the previous year; or
- average monthly earnings for the year.

"If the employee has been employed for less than a year, 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.

"Once you've worked out how much of an employee's salary you can claim for, you must then work out the amount of Employer National Insurance Contributions and minimum automatic enrolment employer pension contributions you are entitled to claim."

Will entitlement to other employment benefits continue during the period of furlough?

The rules for the grant will not displace the existing employment contract. So, for example, we would expect the entitlement to holiday and sick pay would depend on the contract.

Employees eligible

Eligible employees are those on the payroll on 28 February 2020. Any employee who was made redundant after that date but who was employed then, can be re-employed and furloughed.

We have had many questions asking if workers can be moved in and out of being furloughed if work becomes available to an employer and then ceases again? The scheme is being designed to allow for flexibility so that furloughed staff can be brought back to work, for example, to replace those still working who later become sick. An employee must remain on furlough for a minimum period of three weeks, although a further period may immediately follow the previous furlough if agreed. This will ensure flexibility and permit furloughed employees being brought back to cover, for example, sickness of others.

This will again depend on the employment contracts of those affected.

The matter of which employees an employer decides to furlough will be a matter for negotiation with staff and employment law.

The impact on job sharing employees and the decision to furlough will be a matter for negotiation with staff and employment law.

We presume that, subject to anything different stated in the employment contract, eligible employees will include apprentices.

Agency workers are eligible.

We do not yet know whether the scheme will include deemed employees under the off payroll working rules.

An employee does not have to accept furlough if offered, but the employer could then make the employee redundant instead using the usual employment law procedure.

The rules allow furloughed workers to undertake training while they are on furlough. The condition is that the worker must not be making money for the employer.

It is a condition of the scheme that the employee must do no work at all during the furlough period. The intention of the scheme is to allow employers to pay staff who are without work. HMRC will of course have visibility of pay records.

Employees with more than one employment

While we understand that an employee who is furloughed can do no work at all, the employee can hold a separate employment with a different and unconnected employer which will be unaffected.

**The above is our understanding of the CJRS and how this will work based on the information published up to and including 26 March. It should not be relied upon as advice at this stage but is intended to give an indication of how the scheme will work.*