

Coronavirus Job Retention Scheme

The Coronavirus Job Retention scheme provide for government grants which will cover 80% of the normal salary of PAYE employees who would otherwise **have been laid off** as a result of this crisis. The scheme is open to any employer and will cover the cost of wages backdated to 1 March 2020 and will be open before the end of April. It will continue for at least three months, and can include workers who were in employment on 28 February.

To claim under the scheme employers will need to:

- designate affected employees as “furloughed” workers, and notify the employees of this change. Changing the status of employees remains subject to existing employment law and, depending on the employment contract, may be subject to negotiation so please take HR advice. We cannot provide this contractual advice to you and you may want to speak to ACAS or your solicitor; and
- then submit the information to HMRC about the employees that have been furloughed and their relevant earnings through a new online portal. HMRC will set out further details on the information required. We can help you with this, once the details are available.
- HMRC will reimburse you with 80% of furloughed workers wage costs, up to a cap of £2,500 per month for a period of three months.

HMRC is working to set up a system for reimbursement, as we understand that the existing systems are unable to make payments to employers. Business that need short-term cash flow support, may benefit from the VAT deferral announced and may also be eligible to apply for a Coronavirus Business Interruption Loan via their own bank.

FAQs

Q: What does “furloughed” mean?

A: It is a nasty Americanism that seems to mean “being laid off”. That is to say, you are not being paid beyond a minimal amount, but you have not lost your job either.

Q: Are the Government going to pay my employees for me?

A: No. There seems to be a misconception that the government will subsidise 80% of your employee costs while they work for you. It is only for people who you would otherwise have made redundant in any other situation. They are in effect on “garden leave” with little pay, and should not be doing any work during the “furloughed” period.

Q: Can they do some part-time work for me while they are off?

A: Absolutely not.

Q: Can they go part time and benefit from this scheme?

A: No. They can’t do any work whilst “furloughed”. Employers are best making some staff full time, and put others on garden leave.

Q: Who qualifies for this?

A: Anyone who was on your payroll at 29th February.

Q: How do you work out what refund I will get? (changed)

A: It is not clear yet as the guidance is changing. It is 80% of the normal salary which would be shown on the payslip. The latest guidance indicates that, subject to mutual agreement, the employer need only pay 80% of the normal salary and can top it up at their own expense if they wish. The grant will still be restricted to a maximum of 80% of a qualifying gross salary of £3,125 pm.

Q. What about tax, NI, pensions and all other deductions?

A. These will continue to be computed and payable as normal. The employer must run the payroll as normal and wait for a grant based on the reported salary. There are currently no special arrangements for deferring these payments.

Q: Can we alter February's payroll to increase my claim?

A: No. The payroll has been submitted and registered with HMRC and to do so would be tantamount to fraud.

Q: My spouse and my kids are on the payroll and have never lifted a finger for the business, can I claim for them even though they will continue to do nothing.

A: There are going to be some anti-avoidance provisions, to prevent fraud, so we would recommend against this unless they actually start working in your business.

Q: I'm a director. Can I benefit from this?

A: There is no guidance yet – we suspect shareholders will be excluded in some way, but if you're a director and you need to be "furloughed", then you need to have a chat with yourself as you'll have no business to come back to.

Q: Can you do something fancy to allow me to claim under this scheme when even though you know I don't really qualify?

A: No. It is wrong. Plus, we will have so many clients to help through this scheme that we are not going to delay *their* claims whilst we tell you "no" ten times.

Q: But my mate has an accountant who said they would do that.

A: We are happy for you to transfer your business to that accountant.

For more information, please reread.

Please do not email us individually, as updates will also be made available via social media.