

Coronavirus Job Retention Scheme: What we know so far

23 March 2020



<p>What is the UK Government Job Retention Scheme?</p>	<p>On 20 March 2020 the government announced the Coronavirus Job Retention Scheme. The government stated that all UK employers will be able to access support to continue paying part of their employees' salary for those employees that would otherwise have been 'laid off' during the crisis.</p> <p>It appears the government is using 'laid off' in a broad sense to include making staff redundant rather than the strict legal meaning of temporarily putting staff on unpaid leave.</p> <p>The scheme will see HMRC reimburse employers 80% of the wage costs of such furloughed employees, up to a cap of £2,500 per month (equivalent to a salary of £37,500 per annum, assuming that the reimbursement is for basic salary only).</p>
<p>Which employers qualify for access to the scheme?</p>	<p>Rishi Sunak, the Chancellor of the Exchequer stated on 20 March 2020 that "any employer in the country – small or large, charitable or non-profit - will be eligible for the scheme".</p>
<p>Which employees qualify for access to the scheme?</p>	<p>The statements made by the government are currently inconsistent as to whether the scheme will cover just 'employees' or also the broader category of 'workers'.</p> <p>The clear intention is that those who are self-employed will not be covered. Pending clarification, it may be that the focus is to cover those staff who are paid through payroll and exclude those who are not.</p>
<p>Can employers immediately furlough staff?</p>	<p>Yes, provided the employer does this through agreement with the individuals concerned. In limited circumstances, where an employer has a contractual entitlement to lay-off staff, the employer may be able to furlough those staff unilaterally.</p> <p>The government has indicated that "changing the status of employees remains subject to existing employment law". Further detail is required to give a more detailed answer to this question.</p>
<p>Can an employee be paid less than the 80% given by the government? Can an employer top up an employees' salary?</p>	<p>The money received must go towards the employment costs for that individual. The employer may, at their discretion, choose to make a payment to their employees on top of the 80% which is paid under the scheme.</p> <p>This is particularly relevant for employees who earn above £37,500, as the government is only committing to pay 80% of an employee's costs up to a total salary of £37,500.</p>
<p>When does the scheme become effective from?</p>	<p>The scheme will be backdated to the 1 March 2020. Further detail is required to understand the situations that backdating will cover, where an employer has already taken action in relation to staff.</p> <p>It may well mean that staff who are in the process of being made redundant, but who currently remain employed can be offered furlough as an alternative, whilst those who have already been dismissed may be out of scope.</p>

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<p>How do employers apply for coverage under the scheme? What evidence is required?</p>	<p>Employers will be required to submit information to HMRC about the employees that have been furloughed through a new online portal. The UK government have stated that they will set out further information on this portal shortly.</p> <p>Rishi Sunak did however state on 20 March 2020 that the government “expect the first grants to be paid within weeks” which indicates the portal is likely to be operational shortly.</p> <p>At present it is unclear what evidence an employer will need to show in order to qualify for reimbursement under the scheme.</p>
<p>Are employers required to repay the money provided under the scheme?</p>	<p>No, employers will not be required to repay the money provided under the scheme.</p>
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<p>How long will the scheme be active for and has the government set a financial limit on the total amounts that can be paid out?</p>	<p>The government has announced that the scheme will initially be open for at least 3 months and Rishi Sunak has stated the government will “extend the scheme for longer if necessary”.</p> <p>The government has also confirmed that it will place no limit on the amount of funding available.</p>
<p>What impact will this have on salary linked benefits such as pensions?</p>	<p>Salary-linked benefits are generally based on an employee’s normal contractual salary but it remains to be seen if the scheme allows for flexibility in relation to such benefits.</p>
<p>Is there any other financial support?</p>	<p>The government has announced a package of “temporary, timely and targeted” measures to support businesses through the Coronavirus crisis, of which the Job Retention Scheme is just one. You can find further information from the UK government on other financial support for employers here. Examples include:</p> <ul style="list-style-type: none"> • Deferring VAT and income tax payments. • Statutory Sick Pay relief for SME’s. • A 12 month business rates holiday for all retail, hospitality and leisure businesses in England. • A new lending facility from the Bank of England to help support liquidity among larger firms, helping them bridge coronavirus disruption to their cash flows through loans.
<p>What if an employer is going through a redundancy process at the moment?</p>	<p>As mentioned above, we need more detail on the scheme to give a clear answer to this, although it may be that staff in the process of being made redundant (but who currently remain employed) could be offered this as an alternative to redundancy. We expect further information to be released during the course of the week commencing 23 March 2020.</p>