

# Coronavirus (COVID-19) Support

## CORONAVIRUS JOB RETENTION SCHEME

### What's being offered?

- Government grants to reimburse employers for up to 80% of an employees' wage, who are unable to work due to the Coronavirus outbreak. Employees would be classed as 'furloughed workers' and cannot undertake work for the business while classed as 'furloughed'. (*Employees would remain on the payroll but are temporarily not working*)
- This is capped at £2,500 per month per employee.
- In addition to the 80% grant of gross wages, 80% of the associated Employers NIC and the legal minimum pension contributions will also be reimbursed.
- The scheme will be open for 3 months until 31<sup>st</sup> May 2020. **NEW - Announced 17<sup>th</sup> April 2020** the scheme has now been extended until 30<sup>th</sup> June 2020.
- The scheme is being backdated until 1<sup>st</sup> March for any employees who may have been made redundant prior to the scheme announcement, to allow employers to 're-hire' and furlough these employees.

### How does it work?

- Employers must designate affected employees as 'furloughed workers' and notify employees of this change. *Employees must consent to this, ideally signing a letter or electronically approving a document with the outlined furloughed terms.*
- Information on 'furloughed workers' and their earnings are to be submitted to HMRC through a new online portal to be setup. **HMRC have advised that this portal will go online on 20<sup>th</sup> April.**
- Employers should run their weekly/monthly payrolls and pay their employees as normal, at the reduced 80% figures and submit to HMRC to comply with their RTI requirements.

### How to calculate wages costs?

- Full-time & Part-time employees on fixed salaries
  - 80% of gross salary as at 28 February, excluding fees, commissions & bonuses.

- Employees on variable pay, the higher of:
  - Average monthly earnings from the 2019/20 tax year (*if employee has been employed for less than a year, average is calculated from start date*), or
  - The same month's earnings from the previous year.
  - Overtime, shift allowance, can be included in the calculation, provided this is part of an employee's "regular wage". Sporadic overtime would not qualify.
- National Minimum Wage will not apply, as employee will not be working during their "furlough" period.
- *The latest guidance says that employers can choose to top-up pay, either for the unfunded 20% of pay or the amount above £2,500 for higher earners, but this will not be a formal requirement to obtain access to the scheme.*

### **Employer Eligibility?**

- All UK businesses are eligible for this scheme. *Aim is to encourage employee retention and avoid mass lay-offs and redundancies*
- Employers must have created and started a PAYE scheme on or before **19<sup>th</sup> March 2020** and have a UK bank account.
- A minimum of 1 employee has to be furloughed for the employer to be eligible to receive the grant. Employees must be furloughed for a minimum of 3 weeks, but can be furloughed right up to 31<sup>st</sup> May 2020.

### **Employee Eligibility?**

- Full-time employees; part-time employees, employees on agency contracts and employees on flexible or zero-hour contracts are all eligible.
- To be eligible, while on furlough, employees must not undertake any work for their employer. This includes providing services and/or generating revenue.
- Employees still able to work, albeit on reduced hours or reduced pay, are not eligible for the scheme.
- Employees hired after 19<sup>th</sup> March or who have yet to receive a payment from their employer which has been notified to HMRC through an RTI submission, cannot be furloughed and are not eligible for the scheme.
- Employees in receipt of statutory payments, such as Statutory sick pay and maternity pay cannot be furloughed.

- Directors of owner-managed companies **can** be eligible for this scheme.
  - Only salary paid through PAYE is covered. Any dividend amounts taken will not form part of the calculation.
  - The concern is that a director, like an employee, must not undertake any work for the company to be furloughed, but given they will continue to manage the company in some way during this furlough period, this may be construed as breaching the requirements of the scheme. Hopefully further clarity will be issued by HMRC on this.

### How to claim?

- Employers need to make a claim for wage costs through this scheme. Claims can only be made to HMRC once **every 3 weeks** – the minimum length an employee can be furloughed for.
- To make a claim, employers will need the following information:
  - PAYE 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 weeks)
  - bank account number and sort code
  - contact name & phone number
- Payment will be made via BACS to employer bank account.

### When will I receive?

- HMRC are currently working urgently to set up a system for reimbursement. Existing systems are not set up to facilitate payments to employers. The general feedback being received is that the scheme will start paying out at the beginning of May.
- It should be noted that grant reimbursements will only be made **every 3 weeks**, to coincide with the minimum furlough length for an employee. This will obviously be of disadvantage to employers who run weekly payrolls, who will effectively be working 3 weeks in arrears with the reimbursements.

## **SICK PAY**

### **What's being offered?**

- Small & medium business able to reclaim 2 weeks' Statutory Sick Pay (SSP) per employee who has been off work because of COVID-19. *(This includes employees self-isolating as a precaution and employees following advice to stay at home. No GP line required.)* Employees must earn on average at least £118 per week.
- Statutory Sick Pay (SSP) now payable from day 1 instead of day 4. This applies from 13<sup>th</sup> March.
- Employers with fewer than 250 employees as at 28<sup>th</sup> February 2020 are eligible.

### **How to claim?**

- No detail provided yet, employers merely advised to maintain records of employee absences and payments off SSP made.

### **Timescale for refund?**

- Vague – to quote government advice *“the government will work with employers over the coming months to set up the repayment mechanism for employers as soon as possible”*. So, doesn't appear to be quick assistance here.