

The Coronavirus Job Retention Scheme: FAQ

Updated 23 March 2020

The following is Ward Williams understanding of this policy and how this will work based on the information published so far using illustrations from ICAEW. This information should not be solely relied on for advice at this stage but is intended to give an indication of how the scheme should work.

Q. Is my business eligible?

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

Q. What about Owner/managed companies?

Many owner managed company director/shareholders pay small salaries and the balance of income as dividends. Please note the scheme does not extend to dividends. Only the salary is relevant to the scheme.

Q. How is payment going to work in practice?

Ward Williams understand that the employer will pay the (revised) contractually agreed amounts as required by the employment contract in the usual way. This involves paying the employee, 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 the HMRC. We will provide more detail on the portal when the information becomes available.

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

The £2,500 monthly grant covers all employment costs, i.e., salary, employer pension contributions required by auto enrolment (if applicable), and employer NIC.

The earnings period to determine the maximum grant has yet to be clarified. For new employees in particular, options will be needed and for seasonal staff.

However, there will need to be a base line and options being considered which are likely to include:

- Seasonal workers: it may be possible to use the same period last year, such as three months March, April, and May 2019.
- A new employee: Average for a prior period such as 12 months to 1 March or perhaps the month of February alone.
- Irregular hour's workers: On reduced pay (e.g. maternity or sick leave), a different previous period may be needed.

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

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

Employee eligibility

Eligible employees are those on the payroll on 1 March 2020. It has yet to be confirmed if those re-employed under a new contract will qualify.

Q. Can workers be moved in and out of being furloughed if work becomes available to an employer and then ceases again?

This has yet to be clarified, but we consider it very likely that they will. The scheme is being designed to allow for flexibility so that furloughed staff can be brought back to work to replace those still working who later become sick. We anticipate that this will be seen as difficult to regulate and anticipate that a minimum period of furlough leave may be built in as a requirement before the person can return to work.

We anticipate that the rules will specifically make provision for:

- Sickness cover where a continuing employee is off sick and a furloughed worker can provide cover.
- Where employees agree to share shifts to enable more of them to continue to be paid. This will depend on the employment contracts of those affected.



Q. What other information do we anticipate on employee eligibility?

- 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.
- The number of employees an employer decides to furlough will be a matter for negotiation with staff and employment law.
- Job sharing employees and the decision to furlough will be a matter for negotiation with staff and employment law.
- Subject to anything different stated in the employment contract, we presume that eligible employees would also include apprentices and agency workers.
- We are unsure if 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.
- We understand that staff can study while they are being furloughed.

Q. What about employees with more than one employment?

We understand that an employee who is furloughed can do no work at all in this particular employment. Our current understanding is that the employee can hold a separate employment with a different and unconnected employer, which will be unaffected.

If you have concerns or questions, please contact us on 01932 830664 or through your usual client partner contact. As further details are announced, we will keep you informed.

