

The Coronavirus Further update 26/3

The Coronavirus Job Retention Scheme

Further details have been provided regarding the '80%' Scheme where employers can furlough (grant a leave of absence) employees from work because of the coronavirus. The following rules apply:

- a) **The employee must not work for the employer during the furlough period.**
- b) The grant relates to employees on the payroll as at 28th February.
- c) The furlough period can start from 1st March and will initially last 3 months with an option for the Government to extend the period.
- d) Businesses will only be able to claim the grant once the furlough has been agreed with the designated employee concerned and that employee has stopped working. So it is a matter of employment law. It would be wise to obtain the agreement of the employee in conjunction with the employer, in writing, to the terms of the furlough period. The risk of failing to do so could be no grant or a claw back of the grant at a later date. It would be wise to get an employment lawyer to draft up an agreement taking account of the present contract arrangement with employee concerned. An example might be something along the lines of the attached 'Agreement example' with this email.
- e) The grant will be paid across to the employer through an online portal which is still being set up. As this could take some time businesses can apply to the Coronavirus Business Interruption Loan Scheme to help with the cash flow situation.
- f) Any UK business is eligible for the 80% scheme.
- g) This is a grant not a loan.
- h) The employer will pay the employee through the payroll and PAYE will be applied as per normal.
- i) The maximum grant will be calculated per employee and is the lower of:
 - 1) 80% of 'wages for all employment costs. The belief is that this includes employers NIC and Employer pension contributions.

Or

- 2) £2,500

An example might be:

Port Vale Ltd employs Tom Pope and pays him £2,500 per month. Tom is within the auto enrolment pension scheme. Tom has agreed to be furloughed.

The available grant to the employer is the lower of:

- A) 80% of (£2,500 salary) + employers NI £244 + Employers pension contribution £75)

Or

- B) £2,500

In this case it would be A) $£2819 \times 80\% = £2,255$

- j) Some people have asked if the 80% can be claimed on dividend income from the company. The answer to that is sadly no.