

Chartered Accountants & Registered Auditors

The Coronavirus Job Retention Scheme

What it is and what will it cover?

The Coronavirus Job Retention Scheme will be a government grants – to reimburse employers for 80% of furloughed workers wage costs, to a cap of £2,500 per month.

Further the scheme will be:

- Backdated to March 1st
- Open initially for at least three months but extended ‘for longer if necessary’

Total funding pot available

As per the Chancellor’s speech “I am placing no limit on the amount of funding available for the scheme. We will pay grants to support as many jobs as necessary.”

Who is eligible for the scheme?

All UK businesses are eligible (or in the Chancellor’s words “Any employer in the country – small or large, charitable or non-profit – will be eligible for the scheme.”)

Scheme administration

Coronavirus Job Retention Scheme (CRJS) will be administered by HMRC.

Employers will need to:

- Designate affected employees as ‘furloughed workers’ (see further below)
- Submit information to HMRC about the employees that have been furloughed and their earnings through a new online portal (HMRC will set out further details on the information required)

As noted above the grant is a reimbursement to the employer therefore the employer will make the wage/ salary payment to the furloughed worker and then be reimbursed by HMRC.

When will the scheme be live?

No set date but the following are indications it will not be immediate:

- “HMRC are working urgently to set up a system for reimbursement. Existing systems are not set up to facilitate payments to employers.”
- “HMRC are working night and day to get the unprecedented Coronavirus Job Retention Scheme up and running and we expect the first grants to be paid within weeks.”
- “If your business needs short term cash flow support, you may be eligible for the Coronavirus Business Interruption Loan Scheme”

What is a furloughed worker?

We understand that a furloughed workers are “workforce who remain on payroll but are temporarily not working during the coronavirus outbreak” per [GOV.UK news story](#).

It is noted that employers will need to notify employees of this change in employment status to furloughed, but that changing the status of employee’s remains subject to existing employment law and, depending on the employment contract, may be subject to negotiation.

Unanswered questions

When thinking about the answers to some of these questions, it’s helpful to understand the reasons for the introduction of the CJRS; it has been introduced to encourage businesses to follow the latest medical advice for Coronavirus and ensure businesses who rely on **physical interactions close their doors to the public**.

Where a business can carry on without those physical interactions, for instance by working remotely, it should be business as usual and the **policy doesn’t appear to be designed as a catch all wage subsidy for the UK workforce**.

I’m sure many clients will have unanswered questions as to how the CJRS will work for them and we hope to be able to answer these questions for you as we get further guidance in the coming days and weeks.

The key questions we need guidance from government on are:

1. How do employers know if they can furlough an employee? Are there employment law and rights implications? The guidance from Citizen's Advice would suggest there are limitations on when this can be done (<https://www.citizensadvice.org.uk/work/leaving-a-job/redundancy/layoffs-and-short-time-working/>), so will additional measures be put in place to allow for this to happen?
2. Once furloughed, can an employee return to work, then subsequently be furloughed again and still be entitled to CJRS? If so, with what regularity can you furlough an employee?
3. Is CJRS available where the employee has not been completely furloughed, but is only partially active or has a reduced workload?
4. Does the employer have to cover the additional 20% of pay, or the amount in excess of £2,500 for higher earning employees as a requirement of obtaining the CJRS? The comments from the Chancellor in the press briefing suggested that employers could top-up pay, but no clarity was given on where this would be a formal requirement or something they can choose to do voluntarily and on how much they would need to pay.
5. How long will employers have to wait to receive payment from CJRS? The initial guidance suggests the scheme will be paying out by the end of April at the latest, but there is no further guidance on whether particular businesses or sectors will be prioritised.
6. Can an employer delay making payment to employees until they receive funding from the CJRS? It would appear from the initial guidance that employers will have to make the payment initially, and are then reimbursed by the CJRS. However, there is no guidance on whether it will be possible to delay payment of wages becoming due this month until April, when the scheme should be up and running. The guidance does point to the ability to use the business disruption loan (read our [blog here](#) for further information) suggesting this can be used to bridge the cash flow until the employer is reimbursed by CJRS.
7. What happens if an employer has already had to terminate employees before the CJRS was announced? The initial guidance does suggest that the CJRS will look to support employer's employees who were employed at 1 March, so some clarity is needed on whether terminated employees can be re-hired and qualify for CJRS.

8. Will the amounts paid under the CJRS be liable to PAYE and national insurance? It would appear as though the CJRS would be a simple subsidy of income, which would mean the payment would be earnings in the employee's hands and therefore should be liable to PAYE and national insurance, but confirmation of this is needed. If the CJRS payment is liable to PAYE and national insurance, employers will need to foot the bill for the employer's national insurance cost due on the payments. Employers may be able to manage the employer's national insurance liability by applying for either a time to pay (TTP) arrangement (read our [our blog](#) for more details on TTP) or through the use of the business disruption loan (again more information [found here](#)).

Sources of further information

I would anticipate HMRC will carry details of CJRS in due course but for now I will be keeping an eye on GOV.UK website and specifically the document [found here](#) which does appear to be regularly updated.

If you have any questions on this, please do not hesitate to BSS Accountants