

BHP COVID-19 Update

Coronavirus Job Retention Scheme (“CJRS”)

1 What is it?

CJRS is a government backed scheme designed to encourage UK entities to retain employees during the COVID-19 disruption.

The intention of the scheme is that employees who would have otherwise been made redundant as a result of COVID-19 are given a leave of absence. This is known as furloughing.

Employers can claim for a grant of 80% of a furloughed employees' monthly gross wage, up to £2,500, plus the associated Employer's NI and pension contributions.

The scheme will initially run for 3 months from 1 March. Employers can use this scheme anytime during this period.

2 Is your business eligible?

- The scheme is open to all UK employers who have
- Had a PAYE scheme on, or before 28 February 2020
 - A UK bank account

The scheme can be used by

- Businesses
- Charities
- Recruitment agencies (for agency workers paid through PAYE)
- Public authorities not primarily funded by the government

3 How to calculate the value of the grant?

For full-time and part-time salaried staff use the employee's actual salary before tax, as of 28 February.

If an employee's pay varies and the employee has been employed for a full twelve months prior to the claim, use the higher of either

- The same month's earning from the previous year
- Average monthly earnings from the 2019-20 tax year

If the employee has been employed for less than a year, use the average of their monthly earnings since they started work. If the employee only started in February 2020, use a pro-rata of their earnings so far.

The employer will receive the lower of 80% of the employee's gross salary and £2,500, plus the associated Employer's NI and minimum automatic enrolment employer pension contributions.

At a minimum, employers must pay their employee the lower of 80% of their regular wage or £2,500 per month. An employer can choose to top up employees' salaries, but no grant will be provided for this, or for the additional Employer's NI or pension contributions.

4 Which employees can be furloughed?

All employees who were on a PAYE payroll on 28 February 2020 can be covered by the scheme, including

- Full-time employees
- Part-time employees
- Employees on agency contracts who are not working
- Directors who have been paid salary through PAYE
- Employees on flexible or zero-hour contracts
- Employees who were made redundant since 28 February 2020, if they are rehired by their employer

The scheme does not cover employees who are working and on

- Reduced hours
- Reduced pay
- Unpaid leave unless that began after 28 February 2020

You do not need to place all your employees on furlough. However, those employees who you do place on furlough cannot undertake work for you,

5 Furloughing employees – the process

Employers should discuss furloughing with their staff and make any changes to the employment contract by agreement.

It should be made clear that furloughed pay does not include employer pension contributions, expenses, fees, commissions, bonuses and allowances.

Equality and discrimination laws will apply in the usual way.

Employers should write to their employee confirming that they have been furloughed.

CJRS grants operate in 3 week blocks. Employees have to remain on furlough for at least 3 weeks to be eligible for the grant.

Employees can be put on furlough more than once and one period can follow straight after an existing period while the scheme is open.

Employees who have been furloughed have the same rights as before, including Statutory Sick Pay entitlement, maternity rights, other parental rights, rights against unfair dismissal and to redundancy payments.

6 Claiming the grant

Employers can submit one claim every 3 weeks via an online portal that HMRC are in the process of setting up.

The claim should be made in accordance with the actual payroll amounts.

Information needed for the claim

- PAYE reference number
- The number of employees being furloughed
- The claim period (start and end date)
- The amount being claimed (per the minimum length of furloughing of 3 weeks)
- The bank account number and sort code
- A contact name and phone number

Claims will be checked and if they are eligible, HMRC will pay the grant to the employer using BACS to a UK bank account.

Employers must pay the furloughed employees all of the grant they receive for their gross pay.

7 Other considerations

The grant should be shown as income in the accounts and the tax return of the employer, with the employment costs incurred shown as a deduction, as usual.

Employers must make a decision, depending on their circumstances, if and when employees can return to their duties.

CJRS - areas to consider

- Decide which employees to furlough and when their furlough period(s) start
- Consider the people resources your business will require during the period that staff are furloughed
- Calculate the amount of grant you will be able to claim and factor the effect into your forecasts to assess cash headroom over the next 3 to 6 months
 - bear in mind that CJRS grant payments may not be received until end of April 2020, at the earliest
- Consider that some of your non-furloughed staff may get ill over the course of the coming weeks and months. Is there enough people resource in the business to cope?
- Be aware when the furloughing period comes to an end the working capital requirement on your business is likely to increase, activity levels typically improve ahead of cash generation
- Be sensitive to team dynamics within your employee groups when considering whom to furlough
- Communicate to staff the COVID-19 related support that they may personally be able to access, for example mortgage repayment holidays
- Take professional advice on implementation of CJRS and the correspondence required with employees
- Don't lose sight of your culture and values when managing the short-term disruption
- Consider ways of staying in touch with furloughed employees. Check in on their health and well-being during the coming weeks....don't furlough and forget! You are allowed to talk they just cannot do work that helps the business operate.