

COVID-19 – Furloughed Workers FAQs 26.03.20

What is the support available to me?

Eligible employers can contact HMRC for a grant to cover a proportion of a person's wage who is not working but are furloughed (given a temporary leave of absence) and kept on payroll, rather than being laid off.

So where an employer would otherwise lay an employee off (permanently through redundancy or temporarily), they are being encouraged to keep them on payroll instead.





It is designed to support employers whose operations have been severely affected by coronavirus.

The scheme will run from 1 March to 31 May initially.

Who is the scheme open to?





All UK employers that had created and started a PAYE payroll scheme on 28 February 2020, and who have a UK bank account.

Any UK organisation with employees can apply, including:

-  businesses
-  charities
-  recruitment agencies (agency workers paid through PAYE)
-  public authorities

Who is covered by the scheme?

Furloughed employees must have been on your PAYE payroll on 28 February 2020, and can be on any type of contract, including:

-  full-time employees
-  part-time employees
-  employees on agency contracts (only employees on agency contracts who are not working).
-  employees on flexible or zero-hour contracts

The scheme also covers employees who were made redundant since 28 February 2020, if they are rehired by their employer.

Employees hired after 28 February 2020 cannot be furloughed or claimed for in accordance with this scheme.

When will the scheme be up and running?

By the end of April 2020, hopefully.

What exactly can I claim?

Employers can use a portal to claim for 80% of furloughed employees' usual monthly wage costs, up to £2,500 a month, plus the associated Employer National Insurance contributions and minimum automatic enrolment employer pension contributions on that wage (so not on any enhancement).

HMRC will issue more guidance on how employers should calculate their claims for Employer National Insurance Contributions and minimum automatic enrolment employer pension contributions, before the scheme becomes live.

While on furlough, the employee's wage will be subject to usual income tax and other deductions.

At a minimum, employers must pay their employee the lower of 80% of their regular wage or £2,500 per month. An employer can also choose to top up an employee's salary beyond this but is not obliged to under this scheme.

How do I calculate what my worker is due?

Salaried employees:

- ❏ For salaried employees, the employee's actual salary before tax, as of 28 February should be used to calculate the 80%. Fees, commission and bonuses should not be included.

Employees whose pay varies:

- ❏ If the employee has been employed (or engaged by an employment business) for a full twelve months prior to the claim, you can claim for 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, you can claim for an average of their monthly earnings since they started work.
- ❏ If the employee only started in February 2020, use a pro-rata for their earnings so far to claim.

Can my employee undertake any work?

To be eligible for the subsidy, when on furlough, an employee can not undertake work for or on behalf of the organisation. This includes providing services or generating revenue.

Can my employee undertake other work or volunteer while furloughed?

If your employee has more than one employer they can be furloughed for each job. Each job is separate, and the cap applies to each employer individually. It is unlikely that an employee could take up new employment while furloughed, however.

A furloughed employee can take part in volunteer work.

Can my employee undertake training while furloughed?

A furloughed employee can take part in training, as long as it does not provide services to or generate revenue for, or on behalf of your organisation. If workers are required to for example, complete online training courses whilst they are furloughed, then they must be paid at least the NLW/NMW for the time spent training, even if this is more than the 80% of their wage that will be subsidised.

I put some of my employees on short-time working/ agreed a pay cut – are they covered by the scheme?

No – the employee must have been laid off in order to qualify. If there is genuinely no work for the employee to perform, they could subsequently be furloughed.

What if my employee is already on leave for other reasons?

- ❏ Employees on unpaid leave cannot be furloughed, unless they were placed on unpaid leave after 28 February.
- ❏ Employees on sick leave or self-isolating should get Statutory Sick Pay, but can be furloughed after this.
- ❏ Employees who are shielding in line with public health guidance can be placed on furlough;
- ❏ If an employee is off on family-related leave e.g. they can be designated as a furloughed worker if they would otherwise have been laid off. However, the employer would continue to pay any applicable maternity, adoption, paternity leave. Employers can claim for any enhanced pay under the furloughed worker scheme.

Are furloughed workers entitled to the National Living Wage/National Minimum Wage?

Furloughed workers, who are not working, must be paid the lower of 80% of their salary, or £2,500 even if, based on their usual working hours, this would be below NLW/NMW.

However, if workers are required to for example, complete online training courses whilst they are furloughed, then they must be paid at least the NLW/NMW for the time spent training, even if this is more than the 80% of their wage that will be subsidised.

What do I need to make a claim?

- 📄 your ePAYE reference number;
- 📄 the number of employees being furloughed;
- 📄 the claim period (start and end date);
- 📄 amount claimed;
- 📄 your bank account number and sort code;
- 📄 your contact name;
- 📄 your phone number;

You should make your claim in accordance with actual payroll amounts at the point at which you run your payroll or in advance of an imminent payroll.

You will need to calculate the amount you are claiming. HMRC will retain the right to retrospectively audit all aspects of your claim.

Once HMRC have received your claim and you are eligible for the grant, they will pay it via BACS payment to a UK bank account.

Can I rotate a furloughed worker?

You can only submit one claim at least every 3 weeks, which is the minimum length an employee can be furloughed for. Claims can be backdated until the 1 March if applicable.

A worker can be placed on furlough more than once, and one period can follow straight after an existing furlough period, while the scheme is open. This suggests that furlough leave can be rotated.

What is the tax treatment of the Coronavirus Job Retention Grant?

Payments received by a business under the scheme are made to offset these deductible revenue costs. They must therefore be included as income in the business's calculation of its taxable profits for Income Tax and Corporation Tax purposes, in accordance with normal principles.

Businesses can deduct employment costs as normal when calculating taxable profits for Income Tax and Corporation Tax purposes.

Can I insist someone becomes a furloughed worker?

This is an entirely new status/category of employee and, whilst you may have a right to lay off under the contract, we suggest furlough status should be agreed between the parties and documented by letter.

In reality, if the alternative is an imposed pay cut, lay-off without pay or compulsory redundancy, employees are likely to agree (especially if the salary is topped up to 100%).

What is the employee's status while furloughed?

They remain an employee of the company and continue to accrue continuous service. Their terms and conditions remain in full force (save for terms relating to pay and benefits) and would still be entitled to contractual notice and statutory redundancy payments in the event that they were subsequently made redundant.

An employee resigned but his new offer of employment has been withdrawn. Can he come back and claim furlough status?

This would be at the employer's discretion; again, though, to qualify for this subsidy, an employer is expected to be able to show that there is now no work for the employee to carry out.