

Introduction to Furlough

As the Coronavirus pandemic continues throughout the world, the UK Government has put in place several temporary measures to help support businesses and individuals through the crisis.

The “Job Retention Scheme”

One measure of great significance is the ‘Coronavirus Job Retention Scheme’ which was introduced on 20th March 2020.

The temporary scheme, which will be backdated to 1st March 2020, will allow all UK businesses to claim a grant from the Government that will support them to continue paying part of their employees’ salaries for employees that would otherwise have been laid off or made redundant during the coronavirus crisis. In particular, employers will be able to claim up to 80% (subject to a cap of £2,500 per month plus the associated Employer National Insurance contributions and minimum automatic enrolment employer pension contributions) for each ‘furloughed’ employee/worker which will be reimbursed by HMRC.

The term ‘furloughed’ or ‘furlough’ are not words that carry any meaning in UK employment law and are terms that have been coined by the Government in the context of coronavirus only. They essentially mean temporary leave of absence from work due to economic conditions affecting one particular company or matters affecting the country as a whole.

To qualify for the scheme, the employer must have created and started a PAYE payroll scheme on or before 28 February 2020 and have a UK bank account. Also, the staff that are assigned as being ‘furloughed’ must have been on the employer’s PAYE payroll scheme on 28 February 2020 and must be employees that would otherwise have been dismissed as redundant or been laid-off due to coronavirus, if not for this scheme.

What happens when you place employees on furlough?

Whilst on furlough, employees must not undertake any work at all for their employer including providing services or generating revenue, and the scheme does not cover any employees asked to work reduced hours due to coronavirus, such as through

short time working. Also, employees hired after 28th February 2020 cannot be furloughed or be claimed for in accordance with this scheme.

After designating which staff will become furloughed, the employer should submit information to HMRC on an online portal about those staff who have been furloughed and their earnings. Once HMRC receive the relevant information, they will then pay the grant money to the employer. The employer in turn will then pay the furloughed staff through their payroll, using their Real Time Information (RTI) system as normal and as required by the employment contract.

It is anticipated by the Chancellor that the HMRC online portal will be up and running by the end of April 2020. As this will take time to build, employers should look to see if they are eligible for the Coronavirus Business Interruption Loan Scheme to support cash flow in the meantime or the other support measures that the Government has put in place.

Further information about furlough and the coronavirus Job Retention Scheme is available on the radar Coronavirus portal.



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