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ALL MEMBERS MEMORANDUM No 63-20

JOB RETENTION SCHEME

The Government has introduced a financial support package to help companies through the coronavirus pandemic and one of these measures is the '**Coronavirus Job Retention Scheme**'. This scheme allows companies to claim 80% of employees' wages up to a maximum of £2,500 per month for those employees who are laid off for a limited period (furloughed). This AMM sets out the details of this scheme including information on the following areas:

- Eligibility
- Benefit
- Who can claim?
- Guidance on furloughing employees
- Calculations for payment
- What you need to make a claim from HMRC
- What to do after you've made a claim

Eligibility

- All UK employers with a PAYE scheme created before 28 February 2020 and have a UK bank account
- All employees who have been asked to stop work but remain on the payroll (furloughed workers)
- Furloughed employees must have been on your PAYE payroll on 28 February 2020, and can be on any type of contract, as listed below:
- Where a company is being taken under the management of an administrator, the administrator will be able to access the Job Retention Scheme.

Benefit

- Government will pay 80% of wages up to £2,500/month (payment includes 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. Fees, commission and bonuses are not included.
- Payment will be backdated to 1st March 2020
- The scheme is initially valid initially for 3 months (31st May 2020) and may be extended

Who Can Claim?

- full-time employees
- part-time employees
- employees on agency contracts who are not working
- employees on flexible or zero-hour contracts
- The scheme also covers employees who were made redundant after 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.

Furlough Guidance

- Employees must be furloughed for a minimum of 3 weeks,
- Employees hired after 28 February 2020 cannot be furloughed or claimed for in accordance with this scheme.
- Employees on unpaid leave cannot be furloughed, unless they were placed on unpaid leave after 28 February.
- If your employee is on Statutory Sick Pay

Note:

If an employee is working, but on reduced hours, or for reduced pay, they will not be eligible for this scheme and you will have to continue paying the employee through your payroll and pay their salary subject to the terms of the employment contract you agreed.

Employees on sick leave or self-isolating should get Statutory Sick Pay but can be furloughed after this.

Maternity Leave

Individuals who are on or plan to take Maternity Leave must take at least 2 weeks off work (4 weeks if they work in a factory or workshop) immediately following the birth of their baby. This is a health and safety requirement. In practice, most women start their Maternity Leave before they give birth.

Access to the scheme

- Employers need to furlough workers

Note:

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)

- Employers need tell employees to stop work, but they remain on the payroll (Note; Employees are still subject to employment law)
- Send HMRC information on the employees that have been furloughed together with their earnings - Submit information to HMRC about the employees that have been furloughed and their earnings through a new online portal
- Entre information on the HMRC new on-line portal

The use of the term ‘grant’ in some of the published details of the CJRS could indicate that employers may ultimately be required to repay sums reimbursed under the scheme.

Furlough letter

If you decide that putting employees on furlough is the best option for you and your employees, then you need to prepare a notification letter. Your furlough notice letter should contain the following:

Address – This is a formal letter, a furlough notice should clearly state the date, employee’s name, and their address.

Purpose – State the purpose of the letter. Get straight to the point. Include the employee’s position, department, reason for the furlough, and information about any changes to employee benefits. It is advisable to tell the employee that this action does not reflect dissatisfaction in job performance.

Detail – Explain what a furlough is, determine the length of the furlough, and communicate employee benefits during this period to employees.

Future communication – Offer a way for the employee to keep in touch. End the letter on a positive note.

Calculations for payment

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.

For full time and part time 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.

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

Example of how the calculations may work

A Ltd employs Mr B at an annual salary of £24,000, so £2,000 per month. Mr B has opted out of auto enrolment.

Each month, Mr B currently receives net pay of £1,665 which is after deducting PAYE of £191 and employees NIC of £144. On this salary, the employer pays employers’ NIC of £174.

The available grant for the employer is the lower of

(a) 80% of (£2,000 + £174), and

(b) £2,500

So a grant of £1,739.

The cash required by A Ltd to furlough based on maintaining the existing salary is £435 per month. It is a matter for employment law whether the employer is required to pay this top up. Discussions with employees may have agreed that the employee has agreed to a different arrangement during their furlough.

For more detailed information please access the below link;

www.gov.uk/guidance/claim-for-wage-costs-through-the-coronavirus-job-retention-scheme

What you'll need to make a claim

- Employers need to go on to the new HMRC Portal to make a claim (currently this is not available)
- your ePAYE reference number
- the number of employees being furloughed
- the claim period (start and end date)
- amount claimed (per the minimum length of furloughing of 3 weeks)
- your bank account number and sort code
- your contact name
- your phone number

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

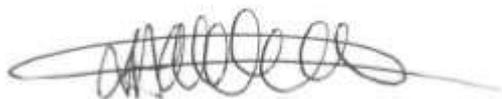
You can only submit one claim at least every 3 weeks, which is the minimum length an employee can be furloughed for. Claims can be backdated until the 1 March 20 if applicable.

What to do after you've claimed

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.

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.

Regards



Lorraine MacKinder
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