

Job Support Scheme

The Job Support Scheme, which is to replace the furlough scheme, was announced today by the UK government.

The aim of the scheme is to protect viable jobs in businesses who are facing lower demand over the winter months due to Covid-19 and will open on 1st November 2020 until April 2021.

A Company will continue to pay its employee for time worked, but the cost of hours not worked will be split between the employer, the Government and the employee (through a wage reduction) so that the employee is able to keep their job.

For every hour not worked by the employee, both the Government and employer will pay a third each of the usual wage for that employee. The Government contribution will be capped at £697.92 a month. The grant will not cover Class 1 employer NICs or pension contributions, although these contributions will remain payable by the employer. More guidelines are to follow but it is anticipated that employers cannot top up their employees' wages above the two-thirds contribution to hours not worked at their own expense.

Employees who have previously been furloughed, will have their underlying usual pay and/or hours used to calculate usual wages, not the amount they were paid whilst on furlough.

For the first three months of the scheme the employee must work at least 33% of their usual hours. After 3 months, the Government will consider whether to increase this minimum hours threshold. Employees will be able to go on and off the scheme and do not have to be working the same pattern each month. Each reduced hours working arrangement must cover a minimum period of seven days. Employers must agree the new reduced hours working arrangements with their staff, make any changes to the employment contract by agreement, and notify the employee in writing.

Who is eligible?

All employers with a UK bank account and UK PAYE schemes can claim the grant. All small and medium-sized businesses are eligible, but larger businesses must show their turnover has fallen during the pandemic. Employers can use it even if they have never previously furloughed staff.

Employees must be on an employer's PAYE payroll on or before 23rd September 2020. This means a Real Time Information (RTI) submission including the employee must have been made to HMRC on or before 23rd September 2020.

How can employers claim?

The scheme will be open from 1st November 2020 to the end of April 2021. Employers will be able to make a claim online through Gov.uk from December 2020. Grants will be payable in arrears on a monthly basis, meaning that a claim can only be submitted in respect of a given pay period, after payment to the employee has been made and that payment has been reported to HMRC via an RTI return.

Example:

- John normally works 5 days a week in a retail outlet and usually earns £350 a week.
- Due to coronavirus, his company is suffering a reduction in sales.
- Rather than making him redundant, the company agrees with John to put him on the Job Support Scheme, working 2 days a week (40% of his usual hours)
- John's employer will pay him £140 for the 2 days he works
- For the 3 days he is not working (60%), John's loss will be covered by:
 - £70 Government Grant (1/3 of hours not worked)
 - £70 by the Employer (1/3 of hours not worked)
 - £70 Wage Reduction (1/3 of hours not worked)

This means that in total John will receive £280 compared to his usual £350.

Job Retention Bonus

Employers can also still claim the "Job Retention Bonus" if they qualify. This is the one-off payment to employers of £1,000 for every employee who was previously furloughed and who remains continuously employed through to 31 January 2021.

Verfides will continue to keep you updated with any developments. In the meantime, please do not hesitate to speak to your usual Verfides advisor for further assistance, or email or call the Tax Team: tax_team@verfides.com; call +44 20 7930 7111.

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