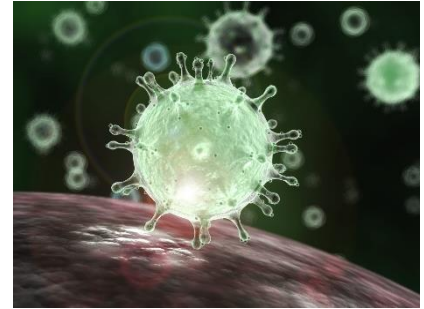


## **EMPLOYMENT LAW UPDATE - CORONA VIRUS** **8 JUNE 2020**

### **Changes to Government Support Schemes**

#### **Coronavirus Job Retention Scheme (CJRS) – Furlough**

The CJRS entitles employers to claim 80% of employees' salaries capped at £2,500 per month (plus employers NI and minimum pension contributions) if their business is affected by the coronavirus lockdown. To qualify, employees have to be put on furlough leave i.e leave of absence during which time they are unable to work. Eligible employees have to have been employed before 19 March 2020. The minimum furlough leave period is 3 weeks.



The CJRS was originally due to finish 30 June but has now been extended to 31 October with various changes. These will allow employees to work part-time whilst on furlough leave and for employers to contribute to the costs of the Scheme.

#### **Key Changes**

- The Scheme will close to new entrants on 30 June 2020 so the last date to furlough employees is 10 June 2020 (three week minimum period).
- From 1 July 2020, furloughed employees will be able to work part-time and be paid by the employer for these hours at their normal rate with the non-working hours paid under the CJRS (flexible furloughing). The minimum period for furlough leave will be one week and not three weeks.
- Flexible furloughing arrangements must be agreed between employers and employees in writing. Employers will be required to report hours worked and the usual hours that employees would be expected to work in a claim period.
- From 1 August, employers will be required to pay the employer's National Insurance (NI) and pension contributions on the 80% salary.
- From 1 September 2020, employers will be required to pay 10% of the 80% salary (in addition to NI and pension). This will increase to 20% from 1 October 2020. The Scheme will end on 31 October 2020.

Further guidance on flexible furloughing and how employers should calculate claims is due to be published on 12 June 2020.

## Self-Employed Income Support Scheme (SEISS)

Under the SEISS, the Government pays self-employed people a taxable grant worth 80% of average monthly income, capped at £2,500 per month for three months i.e £7,500 maximum. Eligibility is for those with trading profits of up to £50k who make the majority of their income from self-employment. To apply, individuals have to be contacted by HMRC and invited to make an application. If approved, the grant is paid directly into their bank account.

The Scheme was due to finish on 30 June but has also been extended to 31 October 2020. However, the amount of grant will be reduced to 70% of average monthly trading profits paid out in a single instalment covering three months' worth of profits and capped at £6,570 in total.

The applications for the first grant (March to June 2020) will close on 13 July 2020. Applications for the second grant (July to October 2020) will open in August 2020. Both grants cover a 3 month period and the second grant is not dependant on the first grant.

Further details will be set out in government guidance due to be published on 12 June 2020.

### Comment

Whilst the government has been commended for setting up the CJRS and arranging payments so quickly, there has also been criticism on costs (25% of the workforce on furlough) and the lack of checks on fraudulent claims.

The original aim of the CJRS was to avoid redundancies for businesses unable to operate but in many cases, it has simply deferred them. This is likely to continue once those businesses are required to contribute to the costs of the CJRS without any income coming in from the business.

Similar issues apply to the SEISS and also the £50k (or less) profits criteria whilst providing no help to those individuals who previously had higher profits but which are now substantially reduced due to the coronavirus lockdown.

### Contact details:

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