



# COVID-19 Job Retention Scheme

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## Job Retention Scheme – details as at 22 March 2020

The Coronavirus Job Retention Scheme (JRS) was announced on 20 March 2020.

Under the JRS, HMRC will reimburse 80% of 'furloughed workers' wage costs, up to a cap of £2,500 per month for each furloughed employee.

The JRS payment is a grant to cover most of the wages of the people who are furloughed.

The JRS is open to all UK employers.

Affected workers will need to be designated as "furloughed workers" and the employees will need to be notified of the change.

Whilst the precise steps are currently unclear, changing the status of employees to "furloughed workers" remains subject to existing employment law.

It will be necessary to submit information to HMRC about the employees that have been furloughed and their earnings through a new online portal.

HMRC are working urgently to set up the portal and underlying system for reimbursement as existing systems are not set up to facilitate payments to employers.

Employers can top the salaries of furloughed workers further if they choose.

The JRS covers 80% of the cost of wages and can be backdated to 1 March.

The JRS is open initially for three months and this will be extended if necessary.

At the time of writing, HMRC has yet to publish further detail on the JRS.

## KPMG commentary

The JRS announcement is of huge significance and is welcomed.

The Government is moving quickly and the announcement is unprecedented. Understandably, many practical points currently remain unclear. We will help interpret the detail and give practical guidance as to its operation as that detail becomes available. It is likely that many of the details will be being worked out, as the Government focusses on getting the systems it needs up and running.

The availability of the cash grants to fund furloughs will be the first concern, and that information also plays a critical role in reassuring those who may be furloughed. The Government has said that the funds will be available "within weeks" and before the end of April.

How wage costs are calculated will need to be confirmed. This may not be easy given the complexity of the existing tax and payroll systems. We expect that basic salary (which will need to be defined) will be used as a reference point. Current press commentary suggests that pay received in the February payroll will be used as the basis for calculating the grants. There will be questions to answer, and we will help with that as soon as the detail is available.

Exactly what employers need to do to designate employees as furloughed is another immediate concern. It is clear that the usual employment law principles relating to fairness, discrimination and contractual consent will apply. Employers will need to consider how, what and when they communicate in the usual way.

The scheme will run for an initial 3 months from 1 March. However, there remain questions about how it will operate in practice. We await the detailed guidance to consider how backdating will work, and whether the three month period could start at any point from 1 March to 31 May.

Other issues that need to be clarified and worked through include: managing those on zero hour contracts (and other flexible arrangements); measures already taken to manage cash flow (e.g. lay offs and short time working); how to treat new hires from 1 March; the definition of employee/worker; and the interaction with payroll.

KPMG have contacted HMRC to discuss these issues. We will communicate as soon as possible.

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