

# FURLOUGH RULES ARE CHANGING



The Chancellor has announced how the Coronavirus Job Retention Scheme rules are going to change over the coming months. Some key impacts will be triggered by the 10th of June so act quickly if you need to make changes.

Some information is still to follow, but the points below should help you plan your needs.

## JUNE 30 30 JUNE - SCHEME CLOSED TO NEW ENTRANTS

At this point you can only claim for employees that have already been furloughed for the minimum of three weeks. In effect you will need to have furloughed an employee by 10 June in order for them to qualify.

So if you are looking at furloughing more employees or rotating those on furlough, this is a key date to watch. Someone that has been furloughed before and then returned to work can be re-furloughed later, but the 10th of June is the key date for any first time furloughed employees. You should also allow time for the proper consultation and paperwork between you and the employee, so make decisions as soon as you can and communicate them quickly.

## JULY 31 NOW UNTIL 31 JULY - CURRENT RULES REMAIN

The current contribution to the wages of furloughed employees at 80% (of the relevant earnings levels - see previous updates) capped at £2,500 pm remains.

This will mean that the basis of your furlough claims will be the same as in the previous months.

We have encountered a number of anomalies with clients on furlough claims made already, including failing to pay the 100% wages for Bank holidays or other holidays during the claim period. I.e. whilst you may have decided to pay employees at the 80% level covered by HMRC, you must top this up to 100% for all holidays. If you are unsure of whether your claims are correct, talk to us.

## JULY 1 1 JULY - NUMBER OF FURLOUGHED EMPLOYEES CAPPED

From this date, the number of employees in any claim period cannot increase. I.e. if the claim on 30 June was for 100 employees, then you will not be able to claim for more than 100 employees in future.

It is important to consider whether you want to increase the number of employees on furlough at 30 June to create more flexibility for the future, especially if you plan to ask people to 'part time' furlough in future (see later).

This must also be considered alongside the restriction of new entrants covered above. I.e. if you want to furlough new employees, then the key date is in effect 10 June, not 1 July.

## JULY 1 1 JULY - PART TIME FURLOUGH BECOMES AN OPTION

The Chancellor has suggested that employers will be able to have people working part time with the other days covered by a furlough claim. This is a big change from the 'all or nothing' basis of the initial furlough claims.

It will really help employers to ease employees back to work as revenues and activity levels grow.

More details to follow as they are announced.

## AUGUST TO OCTOBER - REDUCING FURLOUGH CONTRIBUTIONS

The proposed changes will see the amount the government contributes reducing each month, and a need for employers to pay the ER's NIC and Pension Contributions.

**AUGUST** - Furlough claim still at 80% of wages up to a cap of £2,500. **Employers will pay ER NICs and pension contributions.**

This means that there will now be an actual cost to those businesses that opted to pay employees at the 80% level

**SEPTEMBER** - Furlough claim reduced to 70% of wages up to a cap of £2,187.50. **Employers will pay ER NICs and pension contributions and 10% of wages to make up 80% total up to a cap of £2,500.**

This will start to see an increasing cost to the employer of keeping people on furlough. Many will need to make some tough decisions on returning people to work, or letting them go completely.

**OCTOBER** - Furlough claim reduced to 60% of wages up to a cap of £1,875. **Employers will pay ER NICs and pension contributions and 20% of wages to make up 80% total up to a cap of £2,500.**

The tough decisions from changes in September will get tougher. Paying 20% of wages plus ER's NIC and pension contributions for doing nothing will be a difficult option for many employers.

## SUMMARY

As we have been advocating for many weeks, get a people plan.

- Who do you need?
- When do you need them?
- Can part time furlough help you?
- What actions do you need to take, by 10 June, 30 June and the other trigger dates?

Whilst Furlough support has been brilliant to take the pressure away for many closed or reduced businesses, the new rules are designed to wean us off the support and get people back to work. Make sure you are clear on how the changes affect you and the decisions you need to make along the way.

## THINK PLAN ACT

7 SANDY COURT, ASHLEIGH WAY, PLYMPTON, PLYMOUTH PL7 5JX

01752 220979

