

November 2020

THE RETURN OF THE CORONAVIRUS JOB RETENTION SCHEME

Just as we were entering the second national lockdown, the Chancellor Rishi Sunak announced a five-month extension to the current Coronavirus Job Retention Scheme and increased the level of the next self-employed income support grant.

The Chancellor told the House of Commons that the Coronavirus Job Retention Scheme (CJRS) will now run until the end of March 2021, with employees receiving 80% of their current salary for hours not worked.

The Self-Employment Income Support Scheme (SEISS) will also be increased, with the third grant covering November 2020 to January 2021 calculated at 80% of average trading profits, up to a maximum of £7,500.

Extension of the CJRS

Originally due to end on 31 October 2020, the CJRS will now remain open until 31 March 2021. The scheme had already been extended to December 2020 following the announcement of a new national lockdown for England, but the Chancellor told MPs last week that it is clear the economic effects of COVID-19 will be “much longer-lasting” for businesses than the duration of any current restrictions.

For claim periods running ‘through to January 2021’ (which we presume means all of November and December at least and most probably January too), employees will receive 80% of their usual salary while on furlough, subject to a cap of £2,500 per month. The CJRS extension will be reviewed in January to examine whether the economic circumstances are improving enough for employers to be asked to increase contributions.

Meanwhile, employers will be asked to continue to cover the costs of employer national insurance and pension contributions for hours not worked. According to the government: “For an average claim, this accounts for just 5% of total employment costs or £70 per employee per month.”

Employers concerned about how to implement changes to working agreements retrospectively can be reassured that as long as they are consistent with employment law, furlough agreements made retrospectively that have effect from 1 November 2020 can support a furlough grant claim. However, we understand that these retrospective agreements must have been in place on or before 13 November 2020 to be relied on for this purpose.

Importantly, to access the extended CJRS, neither the employer nor the employee needs to have previously used the CJRS. To be eligible, employees merely need to have been on an employer’s PAYE payroll before midnight on 30 October (with a Real Time Information (RTI) submission notifying payment for that employee to HMRC having been made on or before 30 October). This is a significant change to the original CJRS, where the vast majority of employees had to have been furloughed for a period of at least 3 consecutive weeks ending on or before 30 June to enjoy continued access to the scheme through July to the end of October.

It has also recently been announced that, due to the extension of the CJRS, the Government will not pay the previously announced Job Retention Bonus in February as originally planned but, according to an economic factsheet accompanying the latest announcements,

will instead redeploy a retention incentive “at the right time”. The Job Retention Bonus was due to be paid to employers at a rate of £1,000 per employee for those employees who had previously been furloughed, but who were retained on their employer’s payroll until at least the end of January 2021.

Furthermore, the Job Support Scheme, originally due to replace the CJRS on 1 November, has been postponed, due to the extension of the CJRS.

Support for the self-employed

The level of the third SEISS grant was increased to 80% of trading profits covering November 2020 to January 2021 for all parts of the UK. It is calculated based on 80% of three months’ average trading profits, paid out in a single instalment and capped at £7,500 (£2,500 per month).

The window for claiming the third grant will open on a phased basis from 30 November and HMRC expects to pay grants within six working days of the date of the claim.

Further measures

The Government also announced a raft of further measures including:

- Cash grants of up to £3,000 per month for businesses which are forced to closed;
- £1.1bn to local authorities, distributed on the basis of £20 per head, for one-off payments to enable them to support businesses more broadly;
- Plans to extend existing government-backed loan schemes and the Future Fund to the end of January, and an ability to top-up Bounce Back Loans;
- An extension to the mortgage payment holiday for homeowners;
- Up to £500m of funding for councils to support the local public health response.

The extension of the CJRS, SEISS grants, loans and mortgage holidays are all UK-wide, the Government also confirmed.

The above is for general guidance only and no action should be taken without obtaining specific advice.

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