

FURLOUGH FACTS AND GUIDANCE

Information provided by Halborns Limited.

This note is correct at 27 April 2020 and based on the government's guidance 'Check if you can claim for your employees' wages through the Coronavirus Job Retention Scheme' and the Treasury Directive of 15 April 2020, both of which may be subject to further change. Please don't rely solely on this note as advice - you should take advice from your lawyer on the specific details your situation.

Q1A: What support is the government offering UK businesses in respect of furloughed employees?

The Coronavirus Job Retention Scheme ('CJRS') is a temporary scheme open to all UK employers who had started a PAYE payroll scheme on or before 19 March 2020, have enrolled for PAYE online and have a UK bank account. It is available for any employee in respect of whom HMRC on or before 19th March 2020 received an RTI submission notifying them of payment in respect of that employee.

Under the CJRS you will be able to apply online to HMRC to claim:

- 80% of any furloughed employee's gross monthly wage costs (subject to a monthly maximum of £2500); and
- Employer National Insurance Contributions on the reduced wage; and
- Minimum automatic enrolment employer pension contributions on the reduced wage

in respect of 'wages' between 1st March 2020 and end of June 2020.

Wages whilst on furlough will be subject to usual income tax and other deductions.

You must pay the employee a minimum of the lower of 80% of their regular gross wage or £2500 per month to be eligible for the CJRS. See Q1B for information on what can be recovered.

You are entitled to pay more to furloughed employees than the amount you will be reimbursed under the CJRS – if you do you will not be reimbursed the top up (nor any employer's NICs or pension contributions on the top up). Neither will you receive a reimbursement in respect of any amount you pay in addition to the minimum automatic enrolment employer pension contributions on the reduced wage.

When the CJRS ends you must decide whether employees return to their duties (if not you may make them redundant – See Q10B and Q25). When individuals are brought back into work they must be taken off furlough – we'd suggest you do this in writing. We have an 'unfurlough' template letter for you to use. – please let us know if you'd like a copy.



Q1B: How do we work out what we can claim?

Claims can be backdated until the 1st March (if applicable where employees have been furloughed).

Only one claim can be made during any claim period under the CJRS. This means that you should include all of the employees that you want to furlough for that claim period, because you will not be able to add them at a later date or make another claim for the same period (or one that overlaps that period). Any employees not included will not be eligible for the grant at a later date.

Bear in mind that you will not be able to make changes to your claim once it is submitted. HMRC are looking to develop a process to allow for such changes.

You must pay the employee all of the reimbursement that you receive – no fees can be charged from the money that is reimbursed to you.

The entirety of the reimbursement in respect of an employee's furloughed pay must be paid to them in the form of money. No part should be netted off to pay for the provision of benefits or a salary sacrifice scheme. Reimbursements under the CJRS will be prorated if your employee is only furloughed for part of a pay period (subject to a minimum furlough period of 21 consecutive days for each furloughed employee).

Claims should be started from the date that the employee finishes work and starts furlough, not when the decision is made to furlough that employee, or when you write to them confirming their furloughed status.

Full-time and part-time employees

The employee's actual gross salary as of their last pay period before 19th March 2020 should be used to calculate the 80% (ignoring any pay increase taking effect after that date).

If you have already calculated the claim based on the employee's wages as of 28 February 2020, and this differs from their wages in their last pay period prior to 19 March 2020, you can choose either calculation for your first claim.

Employees whose pay varies

If the employee has been employed for a full 12 months prior to any claim then you can claim the higher of either:

- The earnings the employee received in the same month the claim is made but in the previous year;
- The average monthly earnings from the 19–20 tax year.

If the employee has been employed for less than 12 months at the point that you claim then you can claim 80% of their average monthly earnings since they started work.



If the employee only started in February 2020 then you should use a pro-rata for their earnings so far and claim 80%.

What your claim of 80% of gross monthly wages (subject to the £2500 cap) per employee can consist of:

- regular salary or wages
- non-discretionary fees
- piece-rate pay
- non-discretionary commission)
- non-discretionary overtime
- enhanced contractual (earnings related) maternity pay.

The above amounts are only claimable provided they are not paid subject to anyone's discretion and cannot vary according to the performance of your business (or a connected business) or the employee's contribution to the performance of the business or the employee's performance of any duties of the employment. They cannot be conditional on any matter. They cannot be a benefit in kind. They must arise from a legally enforceable agreement, understanding, scheme, or transaction (which can vary the amount paid but not whether it is paid at all).

What you cannot claim for:

- discretionary bonus
- tips
- discretionary commission payments
- non-cash payments
- cost or provision of non-monetary benefits including taxable benefits in kind
- benefits provided through salary sacrifice schemes which reduce the employees taxable pay
- apprenticeship levy
- redundancy payments
- SSP under the Statutory Sick Pay rebate scheme whilst also securing payment under the CJRS
- Statutory Maternity Pay, Statutory Adoption Pay, Statutory Paternity Pay, Statutory Shared Parental Pay, Statutory Parental Bereavement Pay
- student loans

The government guidance on whether you can claim overtime and commission is vague. On that basis you may want to make it clear within your written terms to the furloughed employees that either those elements of pay may be deferred or repaid if the government fails to reimburse those elements (although clearly recovering those amounts from the employees may be difficult).

In addition to the above you will also need to calculate employer national insurance contributions and minimum automatic enrolment employer pension contributions as these can be claimed.



Employees falling sick when furloughed

Sick employees can remain furloughed. It is up to you whether to move the sick furloughed employee onto Statutory Sick Pay (and any sick pay under any contractual sick pay scheme) or to keep them on the pay they were receiving prior to sickness during furlough (the 'furlough rate').

If a furloughed employee who becomes sick is moved onto Statutory Sick Pay (and contractual sick pay if appropriate) you will not be able to claim that pay from the government under the CJRS – you must pay the Statutory Sick Pay (and contractual sick pay) yourselves although you may qualify for a rebate for up to two weeks of Statutory Sick Pay under the Coronavirus Statutory Sick Pay Rebate Scheme. On return to work after time off sick, the employee's furlough rate of pay will be calculated in respect of their salary, before tax, not the pay received whilst off sick. If the employee was on variable pay to calculate the employee's furlough rate use either the same month's earnings from the previous year or average monthly earnings for the 2019 – 2020 tax year (whichever is greater).

If you keep the sick furloughed employee on furlough you can continue to claim under the furlough rate under the CJRS.

You can use the government CJRS calculator to calculate what you can claim at: <https://www.tax.service.gov.uk/job-retention-scheme-calculator/>

Q1C: What information will we need to provide HMRC using their online portal in order to claim?

Claims under the CJRS can now be made online via the government portal. Once you've claimed, you'll get a claim reference number. HMRC will then check that your claim is correct and pay the claim amount by Bacs into your bank account within 6 working days. It is expected that payments will begin to be made from 30 April 2020.

You will need to provide the following information in order to claim:

- Your ePAYE reference number
- The number of employees being furloughed
- National Insurance Numbers for the furloughed employees
- Names of the furloughed employees
- Payroll/employee number for the furloughed employees (optional)
- Corporation Tax Unique Taxpayer Reference, Company Registration Number or Employer Name (as appropriate)
- The claim period (start and end)
- Amount claimed (subject to minimum length of the furloughing of 21 consecutive days)
- Your bank account number and sort code
- Your contact name
- Your phone number
- You will also need to calculate the amount you are claiming.



If you have fewer than 100 furloughed staff you will be asked to enter details of each employee you are claiming for directly into the system – this will include their name, National Insurance number, claim period and claim amount, and payroll/employee number (optional). If you have 100 or more furloughed staff you will be asked to upload a file with the information rather than input it directly into the system.

You must retain for five years all records and calculations in respect of your claims, including:

- the amount claimed and claim period for each employee
- the claim reference number for your records
- your calculations in case HMRC need more information about your claim.

HMRC retains the right to audit all aspects of the claim.

After you've claimed, you must also tell your employees that you have made a claim and that they do not need to take any more action and pay your employee their wages, if you have not already.

Q1D: What will happen if we don't follow the rules of the CJRS?

HMRC will check claims made through the scheme. Payments may be withheld or need to be repaid in full to HMRC if the claim is based on dishonest or inaccurate information or found to be fraudulent.

HMRC has put in place an online portal for employees and the public to report suspected fraud.

Q2: Who classifies as a furloughed employee?

A furloughed employee is:

- An employee who was on your PAYE payroll on 19th March 2020; and
- An employee in respect of whom HMRC on or before 19th March 2020 received an RTI submission notifying them of payment in respect of that employee; and- Who does not undertake work during furlough (including providing services or generating revenue); and
- Who remains on payroll during furlough; and
- Who has been designated by you as a 'furloughed employee' (for at least 21 consecutive calendar days); and
- An employee who has been notified in writing of the change in their status to 'furloughed employee', has been told to stop all work and who has agreed in writing (which may be in an electronic form such as an email) that they will cease all work. A record of this communication must be kept for five years (although it is unclear when the period of five years begins e.g. the furlough start date or the date of the grant payment).

A furloughed employee must be furloughed for a minimum period of 21 consecutive calendar days from the date their furlough leave started (which is



not necessarily the same date as you wrote to them informing them of the need to designate them a furloughed employee). They can be furloughed multiple times provided each separate period is a minimum period of 21 consecutive calendar days.

Where an employee is furloughed beyond the minimum 21 days, they do not need to be furloughed for a further 21 days in order for you to be able to claim under the CJRS if there has been no break in their furlough leave.

You will not be able to claim under the CJRS for any employee who:

- was employed by you on 28 February 2020 but HMRC did not receive a RTI submission for them on or before 19 March 2020
- started and ended the same contract between 28 February 2020 and 19 March 2020.

For employees who were employed on 28 February but not on 19 March, please see Q2 'Re-hiring' below.

Sickness absence

Where Statutory Sick Pay is payable or liable to be payable in respect of an employee (whether or not a claim to Statutory Sick Pay is made) at the time when you have written to the employee to furlough them then the furlough cannot begin until the Statutory Sick Pay has ended.

Rehiring: Depending on when an employee left your employment, you may be able to rehire them, put them on furlough and claim for their wages from the date that they were furloughed as set out below:

- **If on or after 28 February 2020 you made employees redundant, they stopped working for you or their fixed term contract expired:** if they were employed and on your PAYE payroll on 28 February and an RTI submission to HMRC was made for that employee on or before 28 February 2020, you can rehire them and claim their furlough pay from the date on which you furloughed them – even if you do not re-employ them until after 19 March 2020!
- **If on or after 19 March 2020 you made employees redundant, they stopped working for you or their fixed term contract expired:** if they were employed and on your PAYE payroll on 19 March and an RTI submission to HMRC for that that employee was made on or before 19 March 2020, you can rehire them and claim their furlough pay from the date on which you furloughed them.

Bear in mind though that the returning furloughed employee may accrue two years' service once rehired (giving them the right to claim unfair dismissal and a statutory redundancy payment), there's the possibility that HMRC find a loophole in the particular circumstances and decide not to reimburse you, you'll need to pay the rehired furloughed employee before you receive the reimbursement which may cause cash-flow issues, if the rehired employee chose to leave or was dismissed they may be troublesome on their return (including claiming discrimination, grievances,



whistleblowing) and the employee will continue to accrue holiday and need to be given notice if they work for at least four weeks.

Balancing this, a failure to take on the ex-employee could mean claims from those still within three months of their last day of employment with you and allegations of whistleblowing or discrimination along with potential reputational damage to your employer brand.

If you decide not to rehire departed employees there are plenty of positive steps you could take to support them, contact your lawyer for more information.

Alternatively, if you decide to rehire an ex-employee in circumstances where you can furlough them then again contact your lawyer so that you can ensure that all of the appropriate terms are in place in writing including terms giving you the option to defer payments (e.g. compulsory commission), offset any payments made to the rehired employee against any statutory redundancy or notice payment or future payments and the right to recover payments from the employee in the event you don't receive a grant for them under the CJRS. Any contract should include how the new employment will end, what happens if the employee leaves before 21 consecutive days have been served and whether or not they can work for other employers during this time.

Shielding: Employees who are shielding in line with public health guidance (or need to stay home with someone who is shielding in line with public health guidance) can be placed on furlough. If they are incapacitated they can alternatively be paid Statutory Sick Pay (which was made available to them from 16th April 2020 and it does not appear possible to backdate this before this date).

Carers: Employees who are unable to work because they have caring responsibilities resulting from coronavirus (such as looking after their children or caring for a vulnerable individual in their home) can be furloughed.

Fixed term contracts: You can extend or renew a fixed term employee's contract and furlough them (as above) and **claim** under the CJRS providing an RTI payment submission for the employee was notified to HMRC on or before 19 March 2020.

Apprentices: Can be furloughed and can continue to train whilst furloughed.

Agency workers: Where agency workers are paid through PAYE, they are eligible to be furloughed by the agency (as the deemed employer). Furloughed agency workers should carry out no work (as with any other furloughed employee) so a discussion between the agency and yourselves at the end client is important.

You do not need to place all employees on furlough to benefit from the CJRS.

Q3: Who cannot be a furloughed employee?

The following employees cannot classify as furloughed:

- Employees working short time or reduced hours;



- If an employee was on unpaid leave on 28th February 2020, you cannot furlough them until the date on which it was agreed they would return from unpaid leave (or the agreed event has occurred which marks an agreed end to the unpaid leave);
- An employee on unpaid leave or sabbatical;
- Sick employees where Statutory Sick Pay is payable on or prior to the commencement of furlough.

Q4: Do we need the contractual right to designate an employee as furloughed?

If there is a provision within the employee's employment contract which allows you to reduce completely the hours they work and the pay they receive then contractually you will be able to furlough that employee without their consent. If there isn't that contractual provision and the employee hasn't agreed to be furloughed then you will be in breach of contract and the employee will have the right to claim damages for breach of contract (and constructive unfair dismissal if they resign as a result of the breach and have two years' service). There are complicated laws around when an employee accrues two years' service. Please take advice.

Bear in mind that for employees with more than two years' service you should exercise any contractual provision reasonably and without breaching the employee's trust and confidence – any such breach would give the employee the right to resign and claim constructive unfair dismissal. This means that even with the contractual right to reduce an employee's hours and pay you should give the employee reasonable notice that they will not be required to work (what amounts to reasonable notice might be set out in the contract) or secure their agreement (in which case reasonable notice is not required) (see Q9 for securing agreement).

Q5: How do we decide which employees are going to be designated as affected (if we're not going to furlough all employees)?

It is your choice as the employer who you are going to designate as a furloughed employee – employees do not have the right to insist that they become a furloughed employee.

Employment law and employment contracts still need to be observed.

Employment contracts

It's unlikely that you have anything set out in employment contracts that details how you should approach designating affected employees as furloughed employees but you should take advice before deciding that is the case.

Employment laws

Unfair dismissal (in respect of employees with more than two years' service)

Every employee has the implied right to put their trust and confidence in you to deal with employment matters reasonably and lawfully. If you select one



employee over another without objective justification you will probably breach their trust and confidence giving them the right to resign and claim constructive unfair dismissal.

Selecting on the basis of performance (where you've properly recorded and measured performance previously), experience in the role, qualifications etc are a good starting point for objective selection. It's also a good idea to ensure that two managers are making the decisions to avoid arguments of bias.

Discrimination

Be careful to ensure that any criteria you apply to select affected employees as designated furlough employees is not discriminatory and if it is that you can objectively justify the practice. If you discriminate against an employee they can resign and claim constructive unfair dismissal as well as bring a discrimination claim.

Obvious selection criteria which are likely to be discriminatory include selecting:

- For experience (which could be age discrimination) but handled in the right way with the right evidence you should be able to objectively justify why experience in the role is so important at this point;
- Those employees with child-caring responsibility which is discriminatory against women and is unlikely to be capable of objective justification
- Using sickness absence records as disabled employees are likely to have a poorer absence record so you'll need to make adjustments to put them on an equal footing with their non-disabled colleagues.

Q6: Is asking for volunteers for furloughed employee status a good idea?

Securing the agreement of your workforce to furloughed employee status is the best possible approach to de-risking. But, if you're not designating your entire workforce as furloughed employees you'll still have the same issues as above in respect of Q5 and if your 'best' people volunteer you are then faced with challenging conversations to change those who are selected or a commercial challenge of running the business without your best behind you.

Q7: Once we've determined which employees we want to designate as furloughed employees how do we notify them of their furloughed employee status?

The government have made it clear within six iterations of their guidance '*Check if you can claim for your employees' wages through the Coronavirus Job Retention Scheme*' that you must write to every employee you want to designate as a furloughed employee confirming that they have been furloughed and that they must not work.

In the Treasury Directive released on 15th April 2020 the Treasury explained that you



should secure the employee's agreement to furlough related changes to their employment – a direction totally inconsistent with previous and current guidance from the government.

Since 15th April 2020 the government have confirmed in their guidance 'There needs to be a written record, but the employee does not have to provide a written response [to the furlough letter].'

On the basis HMRC seem to be happy to accept claims for reimbursement without requiring evidence of the employee's written agreement it's ultimately unlikely that the employee's written agreement to the furlough and lack of work is or will be required. Writing to furloughed employees now to ask for their agreement in writing could cause further issues so for now our guidance is to avoid doing so in respect of those employees you have already furloughed.

You should keep a record of your written furlough communication for a period of five years.

Agreement

This is the best approach in terms of minimising risk. Any agreement you reach should include details of what it means to be a furloughed employee and some form of consideration. Reaching agreement avoids any argument that you've breached trust and confidence or a contractual provision (which may give the right to resignations and claims for constructive unfair dismissal) and also satisfies the Treasury Directive. Any collective agreement reached between an employer and a trade union is also acceptable.

Any agreement should be in writing (which can be by email) and be clear as to the consideration that is being given in return for the change (see Q8 below). Bear in mind that the employment contract may set out how variations to terms need to be affected so you'll need to follow that variation clause in designating an employee as furloughed.

Following the terms of the employment contract

If the employee's employment contract gives you the right to require that the employee does not come into work and is not then entitled to pay then you can follow the terms of that provision (provided you also follow any other terms which influence the interpretation or exercise of that provision). Bear in mind though that every employment contract has an implied unwritten term that you will not breach the employee's 'trust and confidence' in the way that you require them to comply with the provisions of the contract and so you will need to consider whether notice should be given to exercise any contractual rights (see Q4 and Q5 for more information on mutual trust and confidence).

Q8: If we're trying to reach agreement with our employees about furloughed work what should our approach be?



If you want our template letter let us know. In any letter we'd recommend you email or write to each affected employee including some or all of the following (after taking advice):

- The name of the employee;
- The date when the agreement becomes effective;
- The start date of their furlough leave;
- An explanation about furloughed working (and the fact this is not lay off or short time working – take advice to ensure that this is the case);
- An explanation about why you are exercising your right to furlough employees;
- That the employee will not be able to do any work for you whilst off;
- If the employment contract allows you to send them home without work say as much;
- That if they are furloughed their accruing holiday and continuous service are preserved;
- Why they have been selected/selection criteria and process;
- That the alternative to becoming a furloughed employee may be redundancy or unpaid leave (this is important to meet with the test for 'has consideration been offered');
- The first day they will be required to go home without work and will be furloughed;
- Anything they need to do whilst off – like keeping in contact, telling you if they're sick, on holiday or self-isolating;
- That their employment contract continues to apply even though they are at home;
- What you will pay them, how that is calculated and when you will pay them;
- Whether there are any benefits under the contract that they'll waive;
- Any terms of eligibility or repayment if you're paying them more than 80%/£2500;
- When you think they might be asked to return and on what terms;
- That the furlough employee status and this agreement is temporary until further notice (but will last a minimum of 21 consecutive days);
- How they can raise questions;
- How they can accept;
- What happens if they don't accept expressly; and
- Any support you can offer with financial advice or hardship.

In addition or for those employees you have already furloughed you should set out in writing (as appropriate) the following information:

- You are now able to claim under the CJRS 80% of their non-discretionary commission and/or non-discretionary overtime reimbursements. In respect of furloughed employees who usually receive non-discretionary commission and/or non-discretionary overtime you'll be able to pay them 80% of those payments (subject to the £2500 cap) but you'll need to consider whether you're going to take the risk that you'll be reimbursed in full from the government in full in respect of these payments - you ask the furloughed employee to defer those payments until HMRC has clarified you'll be reimbursed or confirm that if



you don't receive a reimbursement then the employee will have to repay you those amounts (albeit that will be difficult to achieve in practice) or offset them against future payments;

- o It is no longer the case that you need to show that the shielded employee would otherwise have been made redundant in order to furlough them thus such protections should not be necessary;
- o Whether you are happy for them to secure employment with another employer during their furlough and if so your terms including that they must complete a Statement C for their new employer on their HMRC New Starter Checklist;
- o Whether they are interested in you finding them voluntary work they might want to do in support of the effort to combat coronavirus;
- o Your approach to holidays (including whether they can take them during furlough, what they will be paid if they take holiday whilst furloughed, and what happens if they don't have enough time in the holiday year to take all annual leave);
- o The terms of any rehiring;
- o The terms of any repayment or off setting of pay received during furlough if you don't ultimately receive a reimbursement from the government.

Q9: If we reach agreement with our employees should we ask them to sign anything to indicate their agreement or can we rely on implied acceptance?

Express agreement and consideration

Express agreement for the changes that furlough status brings is best in terms of minimising risk and is now a requirement under the Treasury Directive (see Q7). A signature from the employee is best. An email from the employee agreeing your terms is almost as good.

For the changes to be enforceable there has to be consideration. Making clear that the measures are being taken to save the employee's job should be sufficient to amount to consideration take advice on the specific scenario.

Implied agreement and consideration

For larger employers getting a signed agreement or email back from every employee is probably not going to be practical. So, how do you create a situation where the employee hasn't accepted expressly but you can still argue they impliedly accepted furloughed employee status with reduced pay?

There isn't a perfect and complete answer we can write here as every situation is judged on its facts but here are a few suggestions as to how you can ensure you succeed in an argument that the employee impliedly accepted the change:



- Ensure you put in writing the full details of the arrangements for furloughed working as set out in Q8;
- Check the employment contract to see whether there are specific provisions which set out how you vary the terms (take advice to ensure that you're interpreting those terms accurately);
- Ensure that you explain that the alternative is unpaid leave or redundancy (assuming that is the case as avoiding those outcomes should amount to consideration);
- Ask for express agreement;
- Explain clearly how the employee asks questions or objects;
- Be clear what acts on the part of the employee show they have impliedly accepted (if they don't expressly accept). That could include:
 - Not attending work
 - Not asking to work at home
 - Not objecting
- Make it clear that if the employee does not agree to the terms set out in the letter how you will deal with their objection (which might include making them redundant).

Q10A: Does designating employees as furlough employees amount to statutory lay off meaning that after four or six weeks those employees can give notice for a statutory redundancy payment?

As the law currently stands, if your contracts of employment do not contain a lay off provision entitling you to reduce hours and pay to zero then the furlough leave cannot amount to statutory lay off. If your contracts do contain a lay-off provision then furloughing employees can amount to statutory lay-off. This means that they could request a statutory redundancy payment after four consecutive weeks' furlough leave (or six weeks furlough leave in a 13 week period). For more information take advice from your lawyer.

When the government ends the scheme, you'll need to consider whether they can return to work at that stage and, if not, whether it may be necessary to make them redundant. Bear in mind, that they'll continue to accrue continuous' service during their furlough leave which could impact any redundancy pay they receive at a later date.

Q10B: It's likely that we'll need to make redundancies once the government relax the current measures. If we do that we're likely to keep on furlough those we want to make redundant – what should we be considering now, if anything?

Take advice now in respect of the redundancy situation that is likely to unfold and plan ahead – if you want to bring back into work those who will not later be selected for redundancy you'll need to consider applying the same selection criteria now to bring individuals back into work as you'll ultimately want to use for the redundancy situation.



Q11: In addition to that set out above there is a lot that remains unclear including:

- Whether or not statutory guarantee payments will continue to apply;
- Whether you can backdate claims for furlough pay for rehired individuals to a date before the point they've been rehired (up to and including their original leave date);
- Whether any top-up you choose to pay can be off-set from any redundancy payment you subsequently need to make;
- Whether employees servicing notice during furlough should receive 100% of their normal pay; and
- Whether fines will be issued to abusers of the scheme.

Q12: If we choose to temporarily close the business (rather than being forced to shut) are we still entitled to be reimbursed by the government under the Job Retention Scheme?

Yes – irrespective of any temporary closure of the business and your reasons for taking that decision provided that you meet with the criteria set out at Q2 and you apply for the reimbursement online using the government's portal you'll be entitled to the reimbursement.

Q13: How do we deal with maternity leave and pay, contractual adoption pay, paternity pay or shared parental pay?

Calculating family friendly pay: For those taking family friendly leave on or after 25 April 2020, normal rules apply in respect of statutory family friendly leave and pay (with family friendly pay such as maternity pay being calculated based on their usual earnings and not their furlough pay – to ensure that those taking family friendly leave are not financially penalised by being furloughed). What remains unclear is how family friendly pay will be calculated for those that take leave before the 25 April and whether their pay will be calculated based on their furlough pay.

If you offer enhanced earnings related contractual pay to women on maternity leave this is included as wage costs if they are furloughed at the point that contractual entitlement can be paid (you can then claim through the CJRS (as with other enhanced pay for these types of leave)). If an employee thinks that being a furloughed employee is better for them financially and they end early their maternity, paternity or adoption leave before they have exhausted that leave they will not be able to return to the family related leave (other than shared parental leave which may be taken in separate blocks subject to eligibility and notification requirements).

For employees returning from statutory family leave their furlough rate should be calculated against their salary, before tax, not the pay they received whilst on family related statutory leave.



Claims for those on variable pay, returning from family related statutory leave should be calculated using the greater of the:

- same month's earning from the previous year
- average monthly earnings for the 2019-2020 tax year.

Q14: Is there any support for us in addition to the CJRS ?

You may be entitled to support from the government's Coronavirus Interruption Loan Scheme.

Q15: Is there any other support available for our employees/furloughed employees?

You may have financial advice support through an EAP helpline which you could offer to your employees. In addition, they may be entitled to support from the welfare system or through Universal Credit.

Q16: Can directors be designated as furloughed employees?

Yes provided that they are on the PAYE payroll on 19 March 2020 and in respect of whom HMRC on or before 19th March 2020 received an RTI submission notifying them of payment in respect of that director. But, if they're doing any work (other than fulfilling their statutory obligations (see below for the narrow interpretation)) you will not be entitled to reimbursement from the government.

The furloughed director must not generate income or carry out a service for the company. They may carry out a duty or other obligation arising by or under an Act of Parliament relating to the filing of company accounts or provision of other information relating to the administration of the director's company but nothing else.

To furlough a director the board of directors of the company must decide and formally adopt the decision, note it in the company records and communicate in writing the decision to the director(s).

Q17: If we designate the high risk and vulnerable as furloughed will that amount to discrimination?

On the face of it such a practice could be deemed to be discriminatory although it might well be capable of objective justification. Take advice.

Q18: Is it discriminatory that employees working 100% of the time may only receive 20% more pay than furloughed employees not working at all?

Provided that the selection process for who you decide will be designated as a furloughed employee is not discriminatory then you will not be discriminating against either the employees working and being paid 100% or the furloughed employees being paid 80%/£2500 or less.



Clearly though, you can see why employees who remain at work may consider that it's unfair that their non-working counterparts will be receiving 80%/£2500 of the pay they're getting. That message will need to be managed carefully from an engagement perspective but is not unlawful from an employment law perspective.

Q19: Are we able to make some employees redundant and designate some employees as furlough employees?

Yes, although obviously you need to select fairly and without discriminating and follow a fair process to effect the redundancies. See Q 10B.

Q20: Do we need to pay affected employees designated as furloughed employees 80%/£2500 of their gross pay?

You need to pay to the employee the equivalent of the amount of their wage (and other eligible sums) you will be reimbursed from the government (along with paying the minimum employer auto-enrolment pension contribution into their pension) less PAYE and other usual deductions. If you pay them less than 80%/£2500 you will not secure the reimbursement from the CJRS in respect of that employee.

See question 1B for further information.

Q21: We'd like to top up employee's pay to 100% where they are a furloughed employee. Is that possible? How should we go about it?

Yes, it's possible. If you don't have a lay-off clause within your contract then you'll find agreement to furlough working easier to secure if you're initially paying 100% of pay. You'll need to be clear though if you're going to stop paying 100% at some point in the future. You'll also need to set out any criteria for securing 100% of pay along with any terms for repayment of the top up if the employee leaves within a certain period. Likewise top up terms in respect of poor performance, suspension, disciplinary etc should be clear.

Q22: Do we need to ensure that furloughed employees are still paid national minimum wage/national living wage?

No, as national minimum wage/national living wage is based on hours worked and output (unless the employment contract says otherwise) then as furloughed employees must not work or produce anything for you they are not entitled to pay at all. There is therefore no requirement to increase the payment you make to a furloughed employee to take into account the national minimum wage/ national living wage increase on 6 April (other than for the purposes of training) and you will not be reimbursed under the CJRS for any pay increase made after the 28 February.

See Q39 for payment to employees in respect of training they undertake while furloughed.



Q23: How much do we have to contribute to the pension scheme of a furloughed employee?

If your employees are part of an auto-enrolment scheme, their pension contributions are calculated based on the remuneration they receive. So, if you're paying employees 80%/£2500 of their pay whilst they're furloughed, you'll need to calculate their pension contributions based on the 80%/£2500 figure they actually receive, not their full pay. However, you should check the employee's contract and the pension scheme rules to see if either of them set out an entitlement to full pension contributions, although this would be unlikely.

There is also a statutory minimum level of earnings that employees need to earn before you're required to make contributions under an auto-enrolment scheme. Once they're furloughed, if your employees receive less than these amounts then you won't need to make any contributions at all:

- £512 per month
- £118 per week
- £472 per 4 weeks

If your employees are not part of an auto-enrolment scheme then you'll need to check the individual pension scheme rules and the employment contract.

Q24: Our employees receive certain benefits – will those benefits need to continue once the employee is designated as a furloughed employee?

The starting point is to consider what the employment contract says – lay-off provisions usually only state that pay will reduce but the clauses setting out each right to a benefit may detail whether the benefit continues when there is no work. If the contract doesn't deal with the provision of benefits you need to decide how you are going to treat each benefit and then reach agreement with your employees as to your intention as set out in Q9 (subject to minimum legal requirement in respect of pension contributions etc). Non-monetary benefits will not be reimbursed under the CJRS.

Q25: How does designating employees as furloughed employees affect any statutory redundancy pay or notice pay?

Statutory redundancy pay

If an employee has normal working hours, you need to consider the amount 'payable under the contract' at the point you make them redundant to calculate the statutory redundancy pay which means:

- if you have furloughed the employee and agreed with them to reduce their pay then if they are still furloughed when made redundant, you would use the reduced pay to calculate the statutory redundancy pay ; or



- if you haven't agreed any reduction in pay with the employee (e.g. if you used a contractual right to lay-off), you would need to use their normal pay before they were designated a furloughed employee to work out their statutory redundancy pay.

If the employee doesn't have normal working hours, you take the average of the last 12 weeks' pay in order to work out their statutory redundancy payment including any weeks when they received reduced pay but ignoring any weeks when they received no pay.

Notice pay

If the employee has been designated a furloughed employee and notice to end employment has been served by either you or them the following rules apply:

- if the only notice that needs to be served by you is statutory notice (irrespective of who has actually given notice) and
 - they have normal working hours their notice pay will be calculated using the amount 'payable under the contract'. So, if you've agreed with the employee to reduce their pay as a result of their furloughed status then notice pay is calculated based on the reduced pay. If you have relied on a contractual lay-off clause to 'furlough' the employee and have not sought agreement to reduce their pay, the notice pay will need to be calculated based on their usual pay prior to any furlough reduction;
 - they don't have normal working hours you need to take the average of the last 12 weeks' pay in order to work out their weekly average (so you'll need to ignore any weeks where they haven't received any pay and include the weeks where they have received reduced pay within the calculation);
- if the notice you need to give is at least one week longer than the statutory notice (irrespective of who has actually given notice), then for employees with normal working hours you can calculate the notice pay based what you're currently paying them (so the reduced amount even if you've exercised a lay-off provision) and for those without normal working hours you'll take the average of the last 12 weeks' pay (ignoring unpaid weeks and including weeks with reduced pay).

Bear in mind that any payments you receive under the CJRS cannot be used to substitute any redundancy payments owed and HMRC will continue to monitor businesses after the scheme has closed.

Q26: Do our employment contracts already deal with furloughed employee status?

It's highly unlikely that your contracts specifically refer to 'furloughed employee' status but if you have a lay-off provision or a term which sets out that you can reduce hours



worked to nothing and pay to 80%/£2500 or less (usually the contract would say that where hours are reduced to nothing then pay can be reduced to nothing) then your contracts indirectly cover furlough working.

Q27: If our employment contracts don't allow us to reduce hours and pay should we try and make changes to employment contracts now?

If your contracts don't include the ability to reduce pay and hours then as set out in Q7 and Q8 you'll need to secure the agreement of your employees to the furlough employee status or you'll be designating them as furlough employees in breach of contract. You can make changes to their contract of employment and ask them to agree those although:

- you need to think carefully about whether you want to include a lay-off provision within your contracts – if your contracts include such a clause then furlough working may amount to statutory lay-off meaning that the employee can request to leave with a redundancy payment after four weeks of consecutive furlough status (see Q10A);
- you might find that it's harder to reach agreement in respect of permanent changes to an employment contract so you may not ultimately reach agreement to furloughed employee status;
- ideally, you'd be asking your employees to agree a temporary change in status so that they're reassured that they won't forever find that they are paid 80%/£2500 or less even when coronavirus is under control.

Q28: Should any new agreement make it clear that furloughed employee status is temporary and if so should we set out our terms for ending furlough working?

The furloughed employee status should be expressed as being temporary (subject to a minimum period of 21 consecutive days).

If you're able to be specific about ending furloughed employee status in the future then such reassurances will be helpful to achieve agreement with the employee. Although you may want to avoid such an inflexible approach and leave open your options on when to end furlough work.

It's worth bearing in mind the implied term in every employment relationship that you will exercise your rights under any agreement with the employee reasonably and with trust and confidence. This means that if you ultimately decide to continue to keep individuals as furloughed employees on a permanent basis or longer than necessary you'll be acting unreasonably meaning your furloughed employees could claim breach of contract or resign and claim constructive unfair dismissal (if they have two years' service or more).

Q29: If we don't have the contractual right to designate employees as furloughed employees do we need to consult with those we want to designate?



Not unless your employment contracts say you need to (which is doubtful). However, see Q4 for further details as to risk and take advice.

Q30: If we don't have the contractual right to designate employees as furloughed employees do we need to collectively consult with those we want to designate as furloughed employees?

Unless you're considering terminating the employment (including making redundancies and withdrawing job offers) of 20 or more employees over a 90 day period at one establishment if they don't agree to the furloughed employee status or the terms you're suggesting then you will not need to collectively consult.

Q31: Our contracts say that we'll give notice to our employees where we're making changes to their employment terms. Do we need to ensure that's the case where we're asking employees to agree to furlough employee status?

Where you're trying to reach agreement with the employees to accept furloughed employee status you may still need to reach agreement to the variation in a certain way if that's what the employment contract sets out. Take advice on the exact interpretation of the contract.

Q32: Will we still be able to put employees on to short-time working?

Yes, if you have the contractual right to do so or agree with the employees that is the case but those employees will not be able to be furloughed at that point. If any furloughed employee carries out short time working they will immediately cease to be a furloughed employee and you may not be reimbursed by the government in respect of some or all of their wage costs.

Q33: We want to designate some employees as furloughed employees but we'll still need them to pop into work to collect the post or do other small tasks – will we still secure the reimbursement?

You will not be able to secure reimbursement from the government in respect of any employee that does any work for you. That includes collecting the post, cleaning, checking emails or dealing with tribunal evidence or witness statements. The government have been clear that only non-working furloughed employees will you secure the 80%/£2500 reimbursement.

Q34: Our furloughed employees want to take a second job while they're not working for us. Is that possible?

Yes, provided that other employer isn't linked to your business (such as being part of your group of companies) and they continue to honour the terms of your employment contracts (which you could vary if you wanted to provide more flexibility for the furloughed employee at this time). This will be subject to any specific terms set out in their employment contract (e.g. the contract might require your prior



written consent to work for another employer). You'll want to be clear about your terms on when they return to your employment and any training you might need them to do during furlough and how that might work with their working for another employer.

The government have made it clear that if an employee has more than one employer they can be furloughed for each job. Each job is separate and the cap applies to each employer separately.

For any employer that takes on a new employee, the new employer should ensure they complete the [starter checklist](#) form correctly. If the employee is furloughed from another employment, they should complete Statement C.

Q35: Our furloughed employees want to do volunteer work – are they able to without us losing our eligibility for the CJRS reimbursement?

Yes, furloughed employees can take part in volunteer work. In fact, you're able to find furloughed employees voluntary work provided that they are not breaching public health guidance.

Q36: Once we've designated an employee as a furloughed employee can I then ask them to become an employee again and give them work and then when that work dries up put them back on to furlough working again.

Yes. Employees can be furloughed multiple times but each new occasion of furlough must be for a minimum period of 21 consecutive days. When they return to work, they must be taken off furlough and paid in the usual way under their contract of employment. When you put them back on furlough leave, you will need to write to them again and may need to obtain the employee's agreement (unless you've already got the right/ their agreement in writing to put them on and off furlough).

Q37: Can employees on maternity leave be turned down for KIT days they've requested?

Yes, if there is no work available for them. Bear in mind that any furloughed employee on maternity leave should not be able to attend a KIT day as this is likely to be considered 'work' for the purposes of furlough.

Q38: Can employees on suspension be designated furloughed employees?

Yes, although bear in mind that you won't then be able to progress any disciplinary process with them unless you remove their furloughed employee status. Depending on when you do that will determine whether any of that employee's wage costs will be reimbursed by the CJRS.

Q39: Can we ask our furloughed employees to carry out training?



Yes, the furloughed employee can take part in training as long as they do not provide services to you as their employer or generate revenue for you as their employer.

Bear in mind that where training is undertaken the employee must be paid at least national minimum wage/national living wage/ apprenticeship minimum wage for the time spent training even if this means that you won't be able to recover all of those wages if they exceed the cap. If the amount of training the furloughed employee undertakes means that their pay exceeds the 80%/£2500 cap you will need to pay with the difference without support from the CJRS which should be calculated based on the relevant national minimum wage/ living wage or apprenticeship minimum wage at the time of the training (taking into account the increase on 6 April).

Q40: It doesn't feel right that we're due to pay a bonus when we may well soon be making redundancies. Can that be avoided?

Yes, provided that the terms of the bonus scheme allow you to avoid payment or the employees entitled to the bonus agree not to be paid it. You should take advice on the terms of your bonus.

Q41: Can furloughed employees take holiday without risking our reimbursement for the pay they receive during furlough under the CJRS?

The current position is that allowing employees to take holiday during furlough will not mean that you prejudice your right to the reimbursement under the CJRS but bear in mind the government have been known to change their minds in respect of the provisions of the CJRS and have specifically said in respect of holidays 'During this unprecedented time, we are keeping the policy on holiday pay during furlough under review'.

If you're not willing to risk the government changing their minds at your expense you could ensure holiday is taken at the start or end of any furlough period. Alternatively within your furlough letters you could state that pay not reimbursed under the Job Retention Scheme must be repaid by the employee or offset or deduct from future earnings (although agreement might be difficult to reach on that one!).

Q42: What holiday pay are furloughed employees entitled to?

Holiday pay during furlough should be 100% of 'normal pay' (which seems to mean 'pre-furlough').

Under employment contracts or law you may decline holiday requests if cash flow means that you can't meet holiday payments at the present time.

For employees whose pay varies, a week's holiday pay for any holiday taken after the 6th April 2020 should be calculated based on an average of the last 52 weeks' pay, but not including any weeks spent on furlough (or any other leave) and taking into account



any NMW increase. For any holiday taken prior to 6 April 2020, you can use the previous 12 weeks' to calculate average pay, but you'll still need to discount any non-working weeks.

You will be obliged to pay the additional amounts for holiday pay over and above the reimbursement you receive under the CJRS.

Q43: What happens if there isn't enough time left within the holiday year for an employee to take annual leave due to coronavirus?

The Government has relaxed the rules on carrying over holiday, so if any employee cannot take their holiday due to coronavirus, they will automatically carry over that holiday into the next two years' and will be entitled to take it then, or be paid in lieu of it if they leave during that time. If they don't take the additional holiday in those two years, it will then be lost.

Q44: I want to take on an employee who is currently furloughed with another employer. What do I need to do/know?

The individual may be contractually prevented by their current employer from working for another company and therefore in breach of contract if they work for you. It would be a good idea to secure written confirmation from the employee's employer that they're happy for them to work for you (so there can be no allegations of inducing the employee to breach their contract).

Bear in mind:

- The employee will accrue holiday and be due notice after a month of employment with you;
- Whilst unlikely in the circumstances, there is an argument that an employee might maintain continuity of employment from your previous employment if there was an arrangement that they could return (and so they would secure two years' service);
- If you end up making current employees redundant then taking on employees in this way could be perceived negatively with reputational damage;
- If you rehire a previous employee who chose to leave or was dismissed they may be troublesome on their return (including claiming discrimination, grievances, whistleblowing);
- The employee may quickly have to return to their employer;
- The employee's current employer may require them to undertake training for them whilst employed by you.

When taking on a new employee in these circumstances, you should ensure they complete the starter checklist form [here](#). As an individual who is furloughed from another employer, the individual must select statement C on the employee statement stating they have another job. As they are joining you after 28th February 2020 you cannot furlough them at a later date.

Q45: We have an employee who is working for us on a visa – can they be furloughed?



Yes, provided that that they meet the other criteria for furloughing as set out in question 2 above.

Q46: On 29th February (or after) we transferred employees into our business pursuant to TUPE – can they be furloughed?

Yes, if the TUPE or PAYE business succession rules apply to the change in ownership.

Q47: On 29th February (or after) we transferred our PAYE schemes into a new consolidated PAYE scheme. Can we furlough those employees paid through the new PAYE scheme?

Yes, you can furlough those employees and receive the reimbursement through the CJRS.

