



## Furloughing explained

### Highlights:

- Being furloughed is somewhat similar to being placed on 'gardening leave' – you are being paid yet you are not expected to undertake any work
- The exception is if you are a Director of a Limited Company who is allowed to fulfil their statutory obligations under the Companies Act 2006 e.g. filing annual accounts whilst on furlough
- Applies to anyone working on Feb 28<sup>th</sup>\* and you must have been on the Company PAYE payroll on this date. It does not apply to those employed after this date
- The Government will pay 80% of your gross PAYE salary up to a maximum cap of £2500/month
- If your pay varies, 80% applies but will be based on the highest of a) the same month's earnings from a previous year b) the average monthly earnings for 2019/2020 tax year or c) the average monthly earnings since you started work
- Employers will receive employer NI contributions and minimum pension contributions of 3%
- Minimum furlough period is 3 weeks, maximum is 3 months
- You can be furloughed multiple times if there is work available between furlough periods
- If you have furloughed an Apprentice they can still (and should) continue their learnings but their pay must be topped up to National Minimum Wage during training if the 80% cap drops them below this
- Payment will begin in April but can be backdated to March 1<sup>st</sup>
- Statutory maternity, adoption, paternity and shared paternal leave will not be affected and the statutory payments will continue for such leave
- If you have been made redundant since the 28<sup>th</sup> Feb you can be re-employed and subsequently furloughed by the employer you were working for on 28<sup>th</sup> Feb with their agreement.
- The scheme grant will be paid to you via BACS into your nominated account once you have submitted information to the online portal and this has been checked by HMRC

\*You CAN be furloughed if a) you were put into 12 weeks isolation due to underlying health problems or had to remain at home if you lived with someone with such problems b) you can't work because you have children at home or other vulnerable individuals you care for c) you have a variable income including being on a zero hours contract

If you wish to furlough your staff there are some simple steps for employers to take as follows:

- 1) prove that employees cannot do their jobs due to the coronavirus measures put in place by the government as there is no work available specific to their role This may not be the case for all employees so you may only furlough some of your workforce
- 2) carry out a fair selection as to who to furlough if there are individuals undertaking the same jobs but you require fewer individuals to handle a reduced work load
- 3) consult with employees, you cannot arbitrarily furlough and must seek agreement
- 4) notify employees of their new 'furloughed' status in writing and have them sign their agreement to be furloughed (these documents must be kept on file for 5 years)
- 5) submit information to HMRC about furloughed employees to set up a system for reimbursement. This system is not yet live but we are assured it will be in place imminently

**HRCentral Ltd can guide you through the process to ensure legal compliance and can provide bespoke documentation in relation to furlough leave.**