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INSIGHTS | CORONAVIRUS

CJRS and flexible furlough from 1 July

How the Coronavirus Job Retention Scheme is changing from 1 July, including the introduction of flexible furlough.

Last updated: 15 June 2020, 09:40

[More support on CJRS \(https://www.icaew.com/coronavirus/coronavirus-job-retention-scheme\)](https://www.icaew.com/coronavirus/coronavirus-job-retention-scheme)

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The CJRS is changing from 1 July to encourage those furloughed back into work. Following the publication of HMRC's detailed guidance, ICAEW's Tax Faculty outlines the key changes.

On 12 June 2020 HMRC published updated guidance on the Coronavirus Job Retention Scheme (CJRS).

The grant scheme enters its second phase on 1 July 2020 and covers claims for employees furloughed from that date until the scheme ends on 31 October 2020.

On 29 May, Rishi Sunak had already outlined the government's plans to reshape the CJRS to encourage those furloughed back into work. The changes include:

- Allowing furloughed employees to come back to work on a flexible part-time basis.
- Employers covering the costs of the working hours of part-furloughed staff.

HMRC's detailed guidance to the second phase of the scheme is now available.

What you need to know

The CJRS falls into two distinct parts with different rules applying.

CJRS V1: 1 March 2020 to 30 June 2020

- Employees must be fully furloughed. No work allowed.
- Minimum furlough period for each employee is 21 days.
- No new employee can be admitted to the scheme after 30 June. This, combined with 30 June end date to CJRS V1, means the last

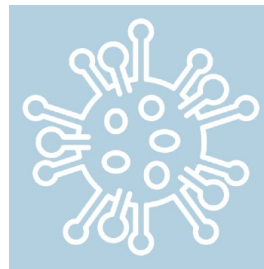
date on which an employee can begin a period of furlough leave for the first time is 10 June.

- 31 July is final date for submitting claims under CJRS V1.

CJRS V2: 1 July 2020 to 31 October 2020

- From 1 July the scheme is only available to employers that have used CJRS V1 and only for employees they have previously furloughed.
- Employees can be flexibly furloughed, enabling part-time working.
- No minimum furlough period.
- Furlough claims become more specific and must contain details of usual hours (based on calendar days) and usual hours worked. Hours furloughed will be the difference.
- Each claim made by employer must be for a week or more.
- No claim period can extend across a calendar month end.

Proposed changes to the CJRS - webinar



Rishi Sunak has confirmed that the CJRS will change significantly from 1 July. Anita Monteith and Caroline Miskin discuss the latest developments.

Watch now
(<https://www.icaew.com/technical/tax/tax-faculty/webinars-and-recordings/tax-webinars/2020/covid19-cjrs-part-2>)

Free

09/06/2020 16:00

Flexible furlough: What is it?

On 1 July the CJRS enters its second phase. CJRS V2 allows complete flexibility for employees and employers to adopt whatever working/non-working pattern is agreed between them.

The furlough period can vary from day to day, or week to week, but accurate records must be maintained. Crucially, these records must be maintained in hours.

Employment law must continue to be observed and as in the first phase, contracts may need to be varied and amended, perhaps several times in the coming months.

The overriding principles remain that employees must be paid their contractual entitlement through the payroll, reported through the Real Time Information (RTI) system. The employer can then choose to apply for a CJRS government grant to offset all or part of this cost.

There are some constraints imposed by the claim system and some rules for the content of claims themselves, but, employers have almost total flexibility. There is no longer any minimum period requirement and

the furlough period(s) can be for as little as an hour or, at the other extreme, as long as the entire scheme lasts.

This increased flexibility will accommodate flexible shift patterns, although calculating claims for varying periods will be more complicated.

When the CJRS was first announced, businesses clamoured for the rules to be more flexible, but at that time the government used the scheme to support its total lock-down policy. Employees were to stay at home if possible. If they couldn't work from home, they could be furloughed instead and the employer could claim a grant to cover all, or most, of the ongoing employment cost.

This new version of the scheme is to support the return to work while also being sufficiently flexible to adapt to business needs, as well as those of employees needing time for childcare or to look after other relatives. It also recognises that many offices will not be able to have their entire workforce in the workplace at the same time while they implement social distancing measures.

While furlough becomes much more flexible, it is important to note that the level of the CJRS V2 grant will be reduced and as we progress through August to October, it is less than CJRS V1.

- In July the grant will be restricted by reference to furloughed hours where the employee is working only some of the time.
- During August to October the grant will be restricted to furloughed hours where the employee is working only some of the time, but also because the grant itself is being reduced.

CJRS V2 claims - who is covered?

Which employers

An employer must have accessed the scheme under CJRS V1 to claim under CJRS V2. This means that effectively the scheme is closed to new employer entrants after 30 June 2020.

However, employers have until 31 July to make all outstanding claims for periods up to 30 June, on which date CJRS V1 closes. This final claim also gives an opportunity for some employers to set a new maximum number of claims to carry forward into CJRS V2 (see below 'form and content').

Employers can agree any working arrangements with previously furloughed employees from 1 July onwards. Employment law requirements must continue to be observed.

Employers can make their first claims under CJRS V2 from 1 July onwards.

Which employees

From 1 July onwards, employers can only furlough employees who are already in the scheme; that is those who have completed at least one full 21 day furlough period prior to 30 June. The effect of this is that an employee cannot be furloughed for the first time after 10 June.

The qualifying 21 day furlough period does not need to be the last 21 days in June. It can have been any 21 day furlough period claimed for under CJRS V1. Where a CJRS V1 21 day furlough period spans 30 June, the entire period qualifies for the grant, but flexibility can only start after the 21 days have elapsed.

The only exception to the prior qualification rule announced so far, allows claims for employees who are now returning to work after a period of parental leave, who might not have been furloughed previously. For example, some women may have been furloughed

during their maternity leave and employers may have been claiming grants for enhanced contractual maternity pay. Others may not. It is these who can now be brought into CJRS V2 for the first time.

CJRS V2 claims - form and content

Number of employees restriction

Claims under CJRS V2 will be made in the same way as CJRS V1.

There is a new limit to the number of employees who can be claimed for in a single claim. This is set at the maximum number ever claimed for in a single claim for that payroll in CJRS V1. This strict limit may restrict some claims.

ICAEW anticipates employers who have been rotating staff on furlough under a shift pattern, perhaps using a two-team approach eg, red team work for three weeks, while blue team staff are furloughed, then blue team work for three weeks while red team are furloughed, will need to think about this carefully. If claims had been made for red and blue teams separately, the maximum limit rule will mean that only half of all total staff ever furloughed can be included in a future single claim period. Of course, if a claim was made every six weeks listing the entire workforce, this won't be a problem.

ICAEW does not know whether this limit will be extended to automatically include extra claims for employees who were not previously furloughed and who are now returning to work after a period of parental leave, nor to allow extra claims for businesses and their employees who have been transferred under Transfer of Undertakings (Protection of Employment) regulations, TUPE agreements. We may need these additional cases by phone.

Calendar month restrictions

From 1 July, claim periods will not be allowed to overlap calendar months. This is necessary because the scheme grant calculations change each month between July and October.

Each claim period should normally be for at least one calendar week, although some claim periods could be for longer than a week. The days in the month falling before and after the whole week claims in the month will be "orphan days" and any furlough in those periods will have to be the subject of separate shorter claims. They can't be claimed for at the same time as days in the previous or following calendar month.

Example:

An employer wishes to make calendar week claims for July. This could be made as five claims:

1-4 July	4 days
5-11 July	7 days
12-18 July	7 days
19-25 July	7 days
26-31 July	6 days

It could equally well be three claims:

1-11 July	11 days
12-18 July	7 days
19-31 July	13 days

Or anything else convenient as long as the basic period rules are observed.

Where furlough is part-time, the calculation must factor in the cost of hours worked to hours furloughed. This must be calculated for a specified claim period and by reference to calendar days.

CJRS V2 will end on 31 October 2020.

Periods overlapping 1 July 2020

An employee who was already being furloughed under CJRS V1 may be on a period of furlough leave which includes days in the old and new schemes. For example, the 21 day period starting on Monday 15 June ends on Sunday 5 July. Flexible furlough cannot start until this 21-day period ends, so from Monday 6 July in this example.

It would appear that 14 days have to be included in a claim under CJRS V1 rules and seven days in a separate claim under CJRS V2 rules.

To claim

Claims for flexible furlough will now also have to include number of hours furloughed, as opposed to hours the employee is expected to work in the claim period. For example, an employee contracted for a 35-hour week may agree to a flexible furlough to work two days a week: 35 usual hours and 14 working hours would be reported.

As before, to claim for 100 or more furloughed employees, a file will be uploaded containing the following for each employee:

- full name;
- National Insurance number;
- payroll number (optional);
- furlough start date;
- furlough end date (if known); and
- full amount claimed.

And also for flexibly furloughed employees:

- hours they actually worked in the claim period; and
- usual hours worked in the claim period.

Claims for fewer than 100 employees will still need each employee to be entered into the government system separately. A partial claim can be saved as a draft, but must be completed within seven days.

Time limit for submission

We understand there is to be a new time limit for claims. Any claim for a period in a calendar month must be submitted before the end of the following calendar month. We await confirmation of this time limit.

Amendments

Grants overpaid can be repaid by deducting the overpayment from future grants. No further action is needed, but a record of this adjustment should be kept for six years.

A new process is being developed for repaying grants if no further claims are going to be made.

Contact HMRC directly to amend an error that has resulted in an under claim. HMRC is expected to conduct additional checks on these.

Record keeping

As with any aspect of CJRS, the employer must keep a written agreement confirming the furlough arrangement. Records of these employee agreements must be kept for until 30 June 2025.

- [Find out more from gov.uk \(https://www.gov.uk/guidance/claim-for-wages-through-the-coronavirus-job-retention-scheme\)](https://www.gov.uk/guidance/claim-for-wages-through-the-coronavirus-job-retention-scheme)

CJRS V2 claims - how much can be claimed?

The first rule is that the employer must continue to pay an employee in accordance with the employment contract. Some employment contracts were renegotiated when CJRS V1 was first announced and employees agreed to a salary reduction to 80% of their previous salary.

Illustration:

For a salary of £37,500, an 80% agreed salary reduction gives a new salary of £30,000.

The monthly grant an employer can claim for salary cost is the lower of:

- 80% of salary (by reference to previous salary level), so 80% of £37,500/12=£2,500, and
- £2,500.

The monthly grant will also include employer National Insurance Contributions (NIC) and the employer's minimum compulsory pension contribution. So under CJRS V1 the employer is fully reimbursed for all keeping the employer on the payroll and on full-time furlough.

CJRS grants under CJRS V2 are being slowly reduced between 1 July and 31 October.

July 2020

In July, the full grant will continue unchanged for fully furloughed staff.

For partially furloughed staff, the grant will only cover the relevant proportion of salary, employers' NIC and employers' minimum compulsory pension contribution on the part of salary cost which relates to the furlough period.

August 2020

From August onwards, some staff who were retained on full-time furlough at nil overall cost to the employer (those whose salary was below £37,500), will now give rise to a payroll cost to the business, even if they remain on full-time furlough.

Employers' NIC and employers' pension contribution

From August onwards, the employer cannot claim any grant at all for employers' NIC nor for the employers' compulsory pension contribution. So whatever employers' NIC and employers' pension contributions are payable on the salary are a cost in full to the employer. It doesn't matter whether the employee is furloughed or not.

Salary cost

For fully furloughed staff, the grant will continue to cover the salary cost so the monthly grant an employer can claim for salary cost is the lower of:

- 80% of salary, and
- £2,500.

For partially furloughed staff, the grant will continue to cover the relevant proportion of salary cost for the furlough period. The monthly grant an employer can claim for salary cost is the lower of:

- 80% of salary for the furloughed time, and
- £2,500, reduced pro rata for furloughed time.

September - salary cost only

For fully furloughed staff, the grant will continue to cover the salary cost, but the percentage covered is reduced to 70%, from its original 80%. The monthly grant an employer can claim for salary cost is the lower of:

- 70% of salary, and
- £2,500 x 70/80.

For partially furloughed staff, the grant will continue to cover the relevant proportion of salary cost for the furlough period. The monthly grant an employer can claim for salary cost is the lower of:

- 70% of salary for the furloughed time, and
- £2,500 x 70/80 reduced pro rata for furloughed time.

October - salary cost only

For fully furloughed staff, the grant will continue to cover the salary cost, but the percentage covered is reduced further to 60%, from its original 80%. The monthly grant an employer can claim for salary cost is the lower of:

- 60% of salary, and
- £2,500 x 60/80.

For partially furloughed staff, the grant will continue to cover the relevant proportion of salary cost for the furlough period. The monthly grant an employer can claim for salary cost is the lower of:

- 60% of salary for the furloughed time, and
- £2,500 x 60/80 reduced pro rata for furloughed time.
- **HMRC has summarised these changes in table in its factsheet.**
(https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/451212/hmrc_factsheet_20200601.pdf)

Latest news

New HMRC guidance on impact of COVID-19 on share schemes
(<https://www.icaew.com/insights/tax-news/2020/Jun-2020/New-HMRC-guidance-on-impact-of-COVID19-on-share-schemes>)

Article 11 June 2020
[Tax news June 2020 \(/insights/tax-news/2020/jun-2020\)](https://www.icaew.com/insights/tax-news/2020/jun-2020)

Employees returning from parental leave will be eligible for furlough
(<https://www.icaew.com/insights/tax-news/2020/Jun-2020/Staff-returning-from-parental-leave-eligible-for-furlough>)

Article 10 June 2020
[Tax news June 2020 \(/insights/tax-news/2020/jun-2020\)](https://www.icaew.com/insights/tax-news/2020/jun-2020)

Don't miss 10 June deadline for furlough
(<https://www.icaew.com/insights/tax-news/2020/Jun-2020/Dont-miss-the-10-June-deadline-for-furlough>)

Article 08 June 2020
[Tax news June 2020 \(/insights/tax-news/2020/jun-2020\)](https://www.icaew.com/insights/tax-news/2020/jun-2020)

Flexible furlough from 1 July under revised CJRS
(<https://www.icaew.com/insights/tax-news/2020/May-2020/Flexible-furlough-from-1-July-under-revised-CJRS>)

Article 29 May 2020
[Tax news May 2020 \(/insights/tax-news/2020/may-2020\)](https://www.icaew.com/insights/tax-news/2020/may-2020)

ICAEW Know-How from the Tax Faculty

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Further support

HMRC support on CJRS

HMRC is asking for people to contact the phonenumber only when strictly necessary. (Monday to Friday 8am to 4pm)

Support on gov.uk

(<https://www.gov.uk/government/organisations/hm-revenue-customs/contact/get-help-with-the-coronavirus-job-retention-scheme>)

0800 024 1222 (tel:0800 024 1222.)

Webchat

(<https://www.tax.service.gov.uk/ask-hmrc/webchat/job-retention-scheme>)

HMRC videos on YouTube

(<https://www.youtube.com/channel/UCX03s8aGILPqyp992meZd6w>)

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UK practical business advice:

(<https://www.icaew.com/covid-19/practical-business-advice-covid-19>)

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(<https://www.icaew.com/covid-19/managing-your-workforce>)

Listing
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Support for ICAEW members

The best way to contact ICAEW for real-time support is via live web chat. (Monday to Friday: 9am to 5pm, Wednesday: 10am to 5pm)

Coronavirus hub

(<https://www.icaew.com/coronavirus>)

Helplines

(<https://www.icaew.com/contact-us/helplines-and-support>)

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