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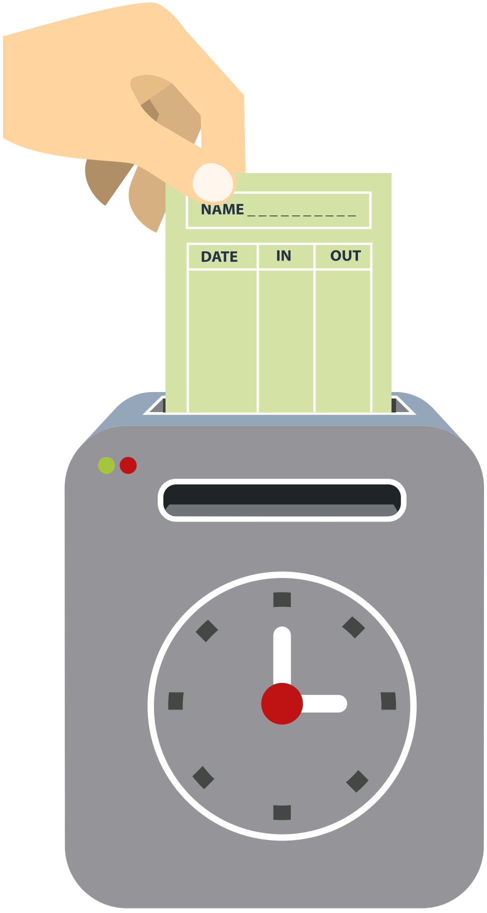


JSS EXPLAINED

JOB SUPPORT SCHEME... HOW WILL IT WORK?

Nearly eight months after Coronavirus brought the country – and the world – to a virtual standstill, the economic damage is still being done. Just as the state has a duty to care for its citizenry so it has a moral duty to help those that are affected by the economic fallout, especially where the government mandates a forced shutdown.

The Coronavirus Job Retention Scheme (CJRS) was implemented in double time last March, and to good effect. It wasn't perfect but it did, to an extent, do what it claimed it would. Some fell through the gap, but it was better than nothing. But with an eye to the cost to the public purse, the chancellor wound the scheme up at the end of October. However, the pandemic has necessitated further state intervention and the response is the Job Support Scheme (JSS) which started on 1 November.

At the time of writing, detailed guidance is still awaited, but the flesh is starting to appear on the bones.

From November

In essence, the new scheme will open on 1 November 2020 and will run for six months to the end of April 2021 unless extended. It's not meant to be as extensive as the CJRS was, but instead, will support "viable" jobs in those businesses that are facing lower than usual demand over winter due to coronavirus.

For staff to be covered by the JSS, they will need – for the first three months at least - to be working for at least one-third of their normal hours and be paid by the employer for that time. The government has, however, reserved the right to increase the minimum working hours requirement after the first three months. Unlike the CJRS, firms will be unable to keep staff at home full-time and on furlough to claim financial support towards their wages – staff need to be employed and working.

As for the time an employee is not working (for no more than two thirds of their normal hours), the government and the employer will each cover one third of the employee's hourly wage. However, the government's contribution will be capped at £697.92 per month and will be paid in arrears as a reimbursement to the employer. Further, the amount paid by the

government will not cover Class 1 employer national insurance contributions or any pension contributions - these remain payable by the employer.

Unless the employer is generous, employees will get nothing for the one third of the unworked time that the government and employer will pay under the JSS rules; they will effectively end up with around 77 percent of their normal wages.

It's also notable that those who are on zero-hours contracts and irregular hours will be eligible for the JSS. The government says there will be "calculations for those with variable working patterns", but the details aren't yet available and will follow in time.

Making a claim

To claim for an employee, they must have been on an employer's PAYE payroll on or before 23 September 2020. In reality, this means a Real Time Information submission notifying payment to that employee to HMRC must have been made on or before 23 September 2020.

And as for employees who have previously been furloughed, they will have their underlying usual pay and/or hours used to calculate usual wages, not the amount they were paid whilst on furlough. Allied to this, it's significant that non-participation in the CJRS is not a bar to using the JSS.

Unlike the CJRS, employers will have the flexibility to cycle employees on and off the JSS; they will not ne ed to be working the same hours each month subject to each short time working arrangement covering a minimum seven-day period.

It's not presently known which firms can use the scheme since "larger businesses" will need to pass a financial assessment test where they'll have to demonstrate that their turnover is now lower than before coronavirus struck.

SME's will not need to pass this financial assessment test. If previous benchmarks are applied, then the firms with 249 or employees, turnover of less than £25m and gross assets of less than £12.5m should be exempted from the assessment.

Beyond passing this assessment, there is a need for the employer to operate a UK PAYE scheme and have a UK bank account. Claims will need to be made on a monthly basis via the gov.uk website from December; payments will be a month in arrears.

No redundancies

The whole point of the JSS is to keep employees on the payroll. This means that in contrast to the CJRS, employees on the JSS cannot be made redundant or given notice of redundancy whilst their employer is using the scheme. To an extent, this was also the case under the CJRS, but the JSS has made this patently clear. And those employers that keep staff on the books until 31 January 2021 will be able to claim £1000 per head under the Job Retention Bonus that will be paid in February 2021.

It's quite clear that the CJRS has been misused and attacked by the criminally minded. As a result, HMRC will be checking all claims and payments may be withheld or demanded back if incorrect or fraudulent information was used. HMRC will be informing employees directly of any claims made on their behalf and one of the requirements for claiming under the JSS is the need for employers to agree new short-time working arrangements with their staff – in writing – which HMRC may ask to have sight of.

In summary

The JSS could potentially force employers' hands since they'll now have to consider the ongoing viability of staff roles. It's likely that some firms will reach the conclusion that particular roles are no longer sustainable and will make redundancies sooner rather than later. That said, for some, the JSS may just help them keep staff that might otherwise be let go.

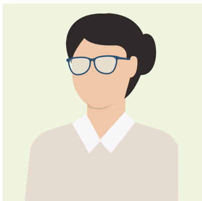
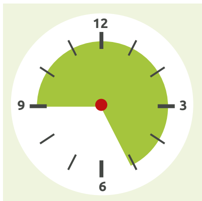
HM Treasury calculations for employee pay under Job Support Scheme

The table assumes that employees are not affected by the cap. Those that are will get less than that detailed under 'Employee Earnings (% of normal)'.

Hours employee worked	33%	40%	50%	60%	70%
Hours employee not working	67%	60%	50%	40%	30%
Employee Earnings (% of normal)	78%	80%	83%	87%	90%
Gov't Grant (% of normal wages)	22%	20%	17%	13%	10%
Employer Cost (% normal wages)	55%	60%	67%	73%	80%

How the Job Support Scheme will work in practice

The Institute of Chartered Accountants in England and Wales illustration opposit explains just how the new system works in practice.


Sue works five days a week and earns £400.
Following discussion, she agrees to accept short time working of two days per week (40%) and her employment contract is revised to reflect this. Her employer is using the JSS.

Sue is paid £320 in accordance with her employment contract through the payroll and reported through RTI in the usual way.

This comprises of:
Cost borne by employer for time worked:
40% x £400 = £160

Cost borne by employer
1/3 of the normal wages for time not worked: 1/3 x 60% x £400 = £80

Government grant:
1/3 of the normal wages for time not worked: 1/3 x 60% x £400 = £80

Total pay to Sue = £320

In this illustration, Sue is earning 80% of her normal wage. The 1/3 contribution rule ensures that employees on this scheme continue to earn a minimum of just over 77% of their normal wages unless the government contribution has been capped.