29 May 2020

Dear Colleague,

Our economic response to coronavirus was designed to keep people in work, protect people’s incomes, and support businesses, all to give us the best chance of recovering quickly as the economy reopens.

Following my announcement today about the future of the Coronavirus Job Retention Scheme (CJRS) and the extension to the Self-Employment Income Support Scheme (SEISS), I wanted to share more detail on the next steps for both schemes.

**Coronavirus Job Retention Scheme**

To date, more than 8 million jobs have been protected through our job retention scheme which would otherwise have been at risk. Around 1 million firms have benefitted from this support. I announced on Tuesday 12 May that the CJRS would be extended until the end of October. This means the scheme will now be in place for a full eight months, giving businesses the vital support that they need during this unprecedented time. As we now begin to re-open the economy, it is right that state support is slowly reduced and the focus shifts to getting furloughed employees back to work.

I said then that there would be some changes during the extension period, notably the introduction of part time, or flexible, furloughing, and also that we would start to require employers to make a contribution alongside the taxpayer in paying their employees. However, one thing that would not change was the level of support that furloughed employees would receive, which throughout the Scheme will remain at 80 per cent of their normal wage, up to a monthly cap of £2,500.

**Flexible Furloughing**

Responding to the biggest request from companies small and large across the country, I have today confirmed that employers will have the flexibility to bring back their furloughed employees for any amount of time and any shift pattern. They will be able to claim the furlough grant for the proportion of the employees’ normal hours they are not working. Employers must pay their employees for the hours they are working, subject to their employment contract, and will be required to report data on hours worked by an employee and the usual hours an employee would be expected to work in a claim period under the scheme for furloughed employees.

I originally said this was going to be introduced in August, but that I would accelerate the timetable if possible. As a result of the hard work of HMRC and HMT officials, I am pleased to say that I am bringing this forward to 1 July, giving businesses more flexibility to respond to demand as the economy reopens.

As a result, from Wednesday 1 July, there will be no minimum furlough period; that is, no minimum amount of time that an employee can be on temporary leave. This is a change from the previous version of the scheme, when the minimum period for which an employee could be furloughed was three weeks. However, any furlough arrangement agreed between employer and employee and reported in a claim to HMRC must still cover a period of at least one week; we have reduced this as far as is possible to enable more flexibility, while still managing the potential for widespread fraud in the system.

To enable this change on 1July, the CJRS will be closed to new entrants on 30 June. This means employees furloughed for the first time must be placed on furlough on or before Wednesday 10 June in order to access flexible furlough, in order for the three week minimum period to have been completed by 30 June. All employers planning to claim a grant from 1 July must have completed their first claim (for the period ending 30 June) by Friday 31 July. Closing the scheme to new entrants reflects my desire to gradually close the scheme, focusing on bringing those currently furloughed back into productive employment. It will ensure that the government support goes to those employers who are transitioning off the scheme, enabling employees to return to work if they can. In addition, it will help to prevent widespread abuse of the scheme when greater flexibility is allowed.

**Employer Contribution**

I believe it is right, in the final months of this eight month scheme, to ask employers to contribute, alongside taxpayers, to paying the wages of their staff. This is also in line with other countries’ approach. But I understand too, that businesses and employers have been through an incredibly difficult time. So I have decided to ask employers to pay only a modest, affordable contribution. Throughout, employees will continue to receive that 80 per cent of salary covering the time they are unable to work:

In June and July, nothing will change for employers and the government will continue to pay 80 per cent of people’s salaries.

From August, the level of the grant will be slowly reduced and employers will be required to top up the government payment to ensure employees receive 80 per cent of their normal pay, up to a monthly cap of £2,500, throughout.

* In August, employers will be asked to pay just Employer NICs and pension contributions. The government will continue to pay 80 per cent of wages, up to a cap of £2,500.
* In September, employers will pay Employer NICs and pension contributions, and 10 per cent of wages to make up 80 per cent total, up to a cap of £2,500. The government will pay 70 per cent of wages up to a cap of £2,187.50 for the hours the employee does not work.
* In October, employers will pay Employer NICs and pension contributions, and 20 per cent of wages to make up 80 per cent total, up to a cap of £2,500. The government will pay 60 per cent of wages up to a cap of £1,875 for the hours the employee does not work.

An early assessment of CJRS claims suggest that around 40 per cent of employers have not made a claim for Employer NICs costs or employer pension contributions and so will be unaffected by the change in August if their employment patterns do not change. Also, around 25 per cent of CJRS individual claims are below the thresholds where Employer NICs and automatic enrolment pension contributions are due, and so no employer contribution would be expected on these payments to furloughed employees in August.

If an average claim lasted 8 months, the total cost of employer contributions would represent around 5 per cent of the gross employment costs an employer would have incurred had the employee not been furloughed.

Detailed guidance on these changes will be published on Friday 12 June.

I believe that our CJRS remains one of the most comprehensive and generous schemes provided anywhere in the world.

**Self-Employment Income Support Scheme**

As I announced today, the SEISS will be extended and eligible individuals could now qualify for a second and final grant.

The SEISS opened on 13 May – days ahead of schedule – and eligible individuals will still be able to apply for the first grant until 13 July. This is a taxable grant worth 80 per cent of their average monthly trading profits, paid out in a single instalment covering three months’ worth of profits, and capped at £7,500 in total. Those eligible have the money paid into their bank account within six working days of completing a claim. By midnight on 24 May, 2.3 million self-employed individuals had already applied for grants, worth £6.8 billion in total.

The extension of the SEISS now means eligible individuals whose business is adversely affected by coronavirus will be able to claim a second and final taxable grant when the scheme reopens for applications in August. Individuals will be able to claim a taxable grant worth 70 per cent of their average monthly trading profits, paid out in another single instalment covering three months’ worth of profits, and capped at £6,570 in total. This is in line with changes to the CJRS as the economy reopens and the eligibility criteria remain the same for this final grant.

An individual does not need to have claimed the first grant to receive the second grant: for example, they may only have been adversely affected by coronavirus in this later phase.

Further guidance will be published on Friday 12 June.

I believe the UK continues to have one of the most generous self-employed coronavirus support schemes in the world.

**Other interventions**

Beyond the CJRS and SEISS, I would like to update you on the range of interventions that the Government has launched to help business and jobs throughout this difficult period:

* Since the launch of the Bounce Back Loan Scheme on 4 May, over 608,000 loans worth nearly £18.5 billion have been approved for small businesses.
* Over 43,000 loans have been approved for the Coronavirus Business Interruption Loan Scheme, worth over £8 billion.
* The Covid-19 Corporate Finance Facility has provided over £20.5 billion of liquidity to corporates that make a material contribution to the UK economy.
* Our Future Fund for high-growth firms was oversubscribed on its first day, so we doubled the government funding to over £500 million.

As well as providing direct support, we have also taken other steps to reduce the pressure on businesses during this period. Almost 1 million business properties are eligible for Business Rates Cash Grants worth up to £25,000 each. As of last week, 99 per cent of bills for eligible ratepayers have been stopped as part of the Business Rates holiday, meaning that a total of 1.1 million ratepayers (over half of all ratepayers) will pay no business rates in 2020/21. And there are over 66,000 tax deferrals now in place, accounting for £9.3 billion of tax liabilities.

And as well as supporting business, the government is ensuring it protects people’s jobs and incomes. To support those on low incomes through the outbreak we have announced a package of temporary welfare measures, including substantial increases to Universal Credit, Working Tax Credits and Local Housing Allowance. Statutory Sick Pay has been extended to include self-isolaters (including due to whole household isolation) and shielders, and we have made SSP easier to access and payable from day 1, not day 4. Additionally, as of 22 May, 1.8 million mortgage payment holidays have been granted – equivalent to one in six UK mortgages.

We stood behind Britain’s businesses and workers as we came into this crisis – and we will stand behind them as we come through the other side. I would like to thank you for your continued support during this time; please do not hesitate to get in touch with a member of the team if I can be of any help.



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