Furlough scheme extended to 30 September 2021 and other key employment news from the Spring 2021 Budget

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Employment Law News

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Furlough scheme extended to 30 September 2021 and other key employment news from the Spring 2021 Budget

On 3 March 2021, the Chancellor of the Exchequer, Rishi Sunak

MP, delivered the Spring 2021 Budget. Here we round up the key employment law announcements for employers to note including the five-month extension to the furlough scheme.

Furlough scheme

The furlough scheme had been due to close on 30 April 2021. The Chancellor announced that the scheme will be extended by five months and will close on 30 September 2021, meaning the scheme will have been in place for 19 months overall. Throughout this extended period, furloughed employees will remain entitled to be paid 80% of their normal wages for any furloughed hours (subject to the maximum cap of £2,500 per month).

Employers will not be required to contribute to furloughed employees' wages for unworked hours during either May or June 2021. During this period, employers will only have to pay employer National Insurance Contributions (**NICs**) and pension contributions, plus wages for any worked hours. However, from July 2021, when the economy will start to reopen in earnest, employers must contribute to the wage costs of furloughed hours. In July 2021, employers must pay 10% of the wage costs and in August and September 2021, employers must pay 20% of the wage costs. We expect a new Treasury Direction and guidance on this next phase of the scheme to be published shortly. Once this becomes available, we will update the BDBF guide for employers on the scheme.

Separately, the Chancellor also announced that the Government will invest over £100 million in combating fraud within the Government's COVID-19 support packages, including the furlough scheme.

Statutory sick pay (SSP) rebate scheme

In response to the pandemic, the Government introduced a temporary SSP rebate scheme under which eligible employers with fewer than 250 employees could reclaim up to two weeks'

worth of SSP for an employee's COVID-19-related sickness absence. The Chancellor announced that this scheme will continue while sickness absence levels remain high but will close in due course. However, no date for closure has been set.

COVID-19 tests and home office expenses

The Chancellor announced that neither income tax nor NICs will be payable on COVID-19 tests which are reimbursed by employers in either the 2020-21 or 2021-22 tax years. This supplements the existing exemption for COVID-19 tests which have been provided to the employee by the employer.

A similar income tax and NICs exemption exists for reimbursed expenses of home office equipment. It was announced that this exemption will be extended into the 2021-22 tax year.

National minimum wage

On 1 April 2021 the minimum age threshold for entitlement to the top rate of the national minimum wage (known as the National Living Wage (**NLW**)) will decrease from 25 to 23 years of age and the hourly rate will rise to **£8.91 per hour**. The national minimum wage rates for other age groups will also increase on the same date. Last year, the Government announced plans to extend the NLW to workers aged 21 and over and increase the rate to two-thirds of median earnings by 2024. In 2020, the sum for median weekly earnings in the UK was £586 per week, meaning the median hourly rate (based on a standard 35-hour working week) was £16.74 per hour. Accordingly, if the NLW were set at two thirds of the 2020 median hourly pay rate then it would need to increase to around **£11.16 per hour**(and, of course, this figure may be higher by 2024).

The Chancellor announced that he has asked the Low Pay Commission to recommend how the NLW and other national minimum wage rates should rise next year in order to be on track to

meet the 2024 target.

Traineeships and apprenticeships

Employers who create new traineeship opportunities between 1 September 2020 and 31 July 2021 are entitled to apply for a cash payment of £1,000 per trainee (up to a maximum of ten). The Chancellor announced that employers will continue to be able to claim the £1,000 payment in the 2021-22 academic year (i.e. up to 31 July 2022).

Currently, employers who hire new apprentices are entitled to apply for a cash payment of £2,000 for each apprentice aged under 25 and £1,500 for those aged 25 or over. The Chancellor announced that these payments would be extended and increased. From 1 April 2021, employers who hire new apprentices before 30 September 2021 may claim £3,000 per apprentice.

From July 2021, the Government will also invest £7 million in developing a "portable apprenticeship" scheme and employers will be invited to put forward relevant proposals.

If your business needs advice on the furlough scheme or any of these changes please contact Amanda Steadman (amandasteadman@bdbf.co.uk) or your usual BDBF contact.

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