



Is the furlough extension a Brexit safety-net?

By **Mark Callaghan** - 30 November 2020

Earlier this month, the Government extended the UK's furlough scheme, as it is colloquially known, until the end of March 2021. Many businesses saw this as an inevitable and necessary step to avoid further redundancies as a result of the pandemic.

The severity of the pandemic's financial cost is well publicised, if difficult to quantify. Government borrowing has increased fourfold in 2019 figures this year, to £214.9b. The furlough scheme alone was expected to cost £52b before its latest extension.

But, of course, the UK is also facing the looming economic uncertainty of Brexit, with the agreed transitional period ending at the end of the year. From 1 January 2021, the UK will be well and truly 'exited'. It may have a last-minute trade deal with the EU in place, but it may not. The Bank of England's Governor, Andrew Bailey, recently warned that the economic impact of a no-deal Brexit on the UK's economy would be greater in the long term than the impact of Covid-19. Even if a deal is reached, many feel that the financial impact of Brexit will be hard and profound.

All of which has led some commentators to speculate that employers might seek to use the furlough scheme as a means to soften the blow of Brexit-related disruption to their business, particularly those employers who are at risk of a sudden impact if the transitional period ends without a deal in place between the UK and the EU.

So, is this a possibility?

The answer is a clear and unambiguous "no".

The Government's guidance clearly states that employers can make use of the furlough scheme if they "cannot maintain [their] workforce because [their] operations have been affected by coronavirus". The latest Treasury Direction, published on 12 October 2020, is similarly emphatic. It states that "integral to the purpose of CJRS" is that claims for reimbursement are available where employment activities "have been adversely affected by the coronavirus and coronavirus disease or the measures taken to prevent or limit its further transmission".



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The risks of using the scheme fraudulently are severe. HMRC can issue penalties of up to 100% of the value of the claims made, and there is also the risk of criminal liability in some cases. Surely, therefore, all but the most foolhardy or desperate of Brexit-affected employers will avoid any temptation to use the furlough scheme in response to the end of the transition.

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