

Employer Considerations for COVID-19 27 April 2020

Across the globe, the spread of the coronavirus is having a significant humanitarian impact and increasingly, an economic impact from stock markets, global supply chains, business continuity and employment. As governments move rapidly to contain the spread of the virus, employers are also working to address how to manage employees while continuing business operations.

At an unprecedented pace, government authorities are reviewing their responses and enacting changes to provide relief to affected employers. Below, we have summarised key developments adopted in response to the coronavirus pandemic that impact employers and individual in Japan.

1. COVID-19 Special Provision for Employment Adjustment Subsidy

Employment Adjustment Subsidy is a monetary relief to help businesses forced to reduce operations due to economic causes^{*1} pay for statutory leave allowances and wages where they place employees on temporary leaves, occupational trainings or secondments in aim of maintaining employment.

*1 Examples for economic causes;

- Reduction of business operations in response to reduced orders from COVID-19 affected customers, clients or suppliers.
- Reduction of business operations due to voluntary business closure in response to government request.
- Customer decline due to public restraints in response to government request.
- Customer decline due to continuous cancellation of reservations from tourists as a result of reputational damage.
- Reduction of business operations due to voluntary business closure in response to COVID-19 infected employees.

A. Eligibility

All employers affected by COVID-19 who:

- ① are Registered with Employment Insurance;
- ② suffer 5% or more decline in Production Index (measured in sales volume, revenue and other index representing business operation) in the month prior to submission of Furlough Plan compared to the same period in the previous year;
- ③ place employees on furlough in accordance with Furlough Plan executed with employees;
- ④ pay more than 60% of average wage to employees on furlough; and
- ⑤ consent to be audited/inspected by the Labor Bureau at a later time.

B. Amount of subsidy

Subsidy details and amounts	Rate Subsidized (Large Company)	Rate Subsidized (Small and Mid-Size Company)
Applicable period	1 April 2020 to 30 June 2020	
Maximum daily amount JPY 8,330	2/3 (3/4 if employment is maintained)	4/5 (9/10 if employment is maintained)
Addition for occupational training	JPY1,200/employee per day	
Maximum payment days	100 days/year + Eligible Period	

Small and Mid-Size Company is defined as those within the following threshold based on each industry. Large Company is defined as those not meeting the criteria for Small and Mid-Size Company.

Retail (includes restaurants)	Less than JPY 50M capital and 50 employees
Service	Less than JPY 50M capital and 100 employees
Whole sale	Less than JPY 100M capital and 100 employees
Other industry	Less than JPY 300M capital and 300 employees

C. Procedures

- ① Consider, draft, discuss and execute Furlough Plan with employees;
- ② File Furlough Plan with Employment Security Office / Labor Bureau (may be after ③);
- ③ Implement Furlough Plan;
- ④ File application package for Employment Adjustment Subsidy under COVID-19 Special Provision;
- ⑤ Review by Labor Bureau; and
- ⑥ Payment into employer's designated bank account.

Process estimated to take approximately one month.

- D. As of 27 April 2020, for certain small businesses, the Japanese Government is in discussion to increase the amount paid under Employment Adjustment Subsidy to the entire amount where the employer does not terminate any employee and pays 100% of wages as compared to the previous year to employees on furlough.

2. COVID-19 School Closure Subsidy

Eligibility	Employers granting paid leaves between 27 February 2020 to 31 March 2020 to employees caring for the following child/children as a guardian: <ul style="list-style-type: none"> Child/children attending elementary schools temporarily closed for preventive measures to contain COVID-19 infection. Child/children attending elementary school and infected with COVID-19 or showing signs of cold symptoms possibly infected with COVID-19.
Subsidy details	Wages paid to employees granted paid leave x 10/10 Maximum daily amount: JPY8,330/employee
Application window	Between 18 March 2020 to 30 June 2020

※ Reference (Japanese only)

https://www.mhlw.go.jp/stf/seisakunitsuite/bunya/koyou_roudou/koyou/kyufukin/pageL07_00002.html

3. Economic Relief Payment

Japanese Government has announced to grant JPY 100,000 to all residents of Japan registered on local municipalities' Resident Register as of 27 April 2020. The Economic Relief Payment will be available irrespective of income level and is expected to be non-taxable. Payment will be deposited to the bank account of the head of household for the entire household members. Individuals may elect not to receive the grant by checking a box on the application form. Should the entire household elect not to receive the payment they need only to ignore the application form.

Foreign nationals with visa status exceeding 3 months who registered with the Resident Register will qualify as well as those living overseas but maintaining their registration on the Resident Register. While minors will also qualify, new born babies must be born on or before 27 April 2020 to be eligible. There is no procedure in place to eliminate imprisoned personnel and members of anti-social forces.

Payments will begin in May 2020.

The Role of Human Capital Professionals

Human resources leaders play a critical role in ensuring businesses execute their global growth strategy. Accordingly, these professionals increasingly having a seat at the C-suite table.

COVID-19 outbreak presents a range of unique and complex challenges to businesses – sustaining business operations while ensuring safety and wellbeing of employees. With proactive engagement with the business, human capital professionals can help navigate uncertain paths ahead – understanding complexities, identifying risks, managing costs, enabling employees to continue working and ensuring business continues.

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