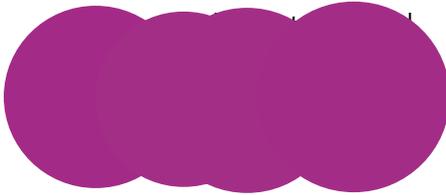




HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Dr Sonali Joshi
ExcludedUK



23 March 2021

Dear Dr Joshi,

Thank you for your open letter dated 1 March 2021 to the Chancellor of the Exchequer, regarding the COVID-19 support schemes.

As you will know, the Coronavirus Job Retention Scheme (CJRS) has helped to pay the wages of people in 11.2 million jobs across the country, with more than £53 billion paid out in grants across the UK, protecting jobs that might otherwise have been lost. The Self-Employment Income Support Scheme (SEISS) has paid out almost £20 billion in grants to 2.7 million self-employed individuals whose businesses have been adversely affected by Covid-19. The Government has provided an unprecedented package of measures throughout this pandemic to protect people's jobs and livelihoods and to support businesses and public services across the UK, spending over £407 billion over this year and the next.

The Government has now set out a strategy to lift restrictions slowly over the coming months and reopen the economy cautiously and in a way which should allow life to return to something like normality. To support businesses and employees through the next stage of the pandemic, the Chancellor announced at the last Budget the extension of the CJRS and SEISS until September. As part of this announcement, the Government has extended the Real Time Information (RTI) cut-off date for CJRS from 30 October 2020 to 2 March 2021, so that those employed on 2 March 2021 are eligible for claims starting on 1 May 2021. Based on early estimates, I am pleased to say this means around 2.4 million more employees are potentially eligible for CJRS.

In addition, at the Budget the Chancellor announced the SEISS will continue until September with a fourth and fifth grant, and that around 600,000 more self-employed individuals may be able to qualify for the new grants based on their 2019-20 tax returns. This includes many new to self-employment in 2019-20, and brings the total of those potentially eligible to 3.7 million. The fifth and final grant opens for claims in July and will include a turnover test, known as a Financial Impact Declaration (FID), to ensure that the most generous support is targeted at those who need it the most. Claimants will be required to declare whether their turnover has fallen by 30 per cent or more compared to pre-pandemic turnover. Further details of the FID will be set out in due course.

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The Government recognises that there are hard cases and that not everyone will be eligible for support. At the Budget the Government announced an additional £65 billion of further measures, taking the total support to £407 billion. This includes a new Restart Grant of up to £18,000 to over 680,000 business premises, giving small business owners the cash certainty they need to plan ahead and relaunch trading safely and effectively over the coming months.

The Government is also providing English local authorities with an additional £425 million of discretionary business grant funding on top of the £1.6 billion already allocated. This comes in addition to the extension of the previous VAT reductions and business rates reliefs for sectors heavily impacted by the pandemic, and of the temporary £20 per week increase to the UC Standard allowance for a further 6 months. The Government announced a £500 one-off payment to provide support to eligible Working Tax Credit claimants. Finally, the Government is doubling payments for apprentices to £3,000 for all new hires and providing £126 million to triple the number of traineeships next year.

All this builds on an existing package which included £68 billion in affordable finance to firms through business loan schemes, a temporary £7 billion increase to welfare, mortgage holidays and help with council tax payments.

Much of this may be available in different ways to the self-employed, employees and their families. But the Government has also acted to upgrade existing programmes where it can to make them more inclusive.

Throughout the duration of the pandemic, the Government has continuously reviewed RTI cut-off dates to include as many employees as possible into the scope of the CJRS. When the CJRS was extended in October 2020, the RTI cut-off date was moved from 19 March to 30 October 2020, which resulted in 4.8 million being brought into scope of the scheme, and last April 2020 the cut-off was extended from 28 February to 19 March which brought over 200,000 employees into scope of the scheme.

For the SEISS, the Government amended the terms to allow claims from self-employed parents who did not submit a tax return for 2018-19, or whose trading profits in 2018-19 were less than their other income because they were pregnant or taking time out of their trade to care for their new-born or newly adopted child. The Government also opened the SEISS to self-employed army, navy and air force reservists who were previously ineligible as a result of their service.

More generally, the schemes were designed with two principles in mind: first, the need to target support at those who need it most, which is why the CJRS was capped at



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£2,500 per month, and why those eligible for the SEISS must have made profits of no more than £50,000 from self-employed activity and made at least half of their income from self-employed activity. The SEISS is thus targeted at those most reliant on their trading income, and it is not intended for those who might have relatively small amounts of trading income in addition to income from other sources, such as employment, property or pension income. According to NAO estimates and the latest HM Revenue and Customs (HMRC) statistics, nearly 1.5 million people do not qualify for the SEISS because they got less than half of their income from self-employment, and over 500,000 people did not qualify because they had no trading profits for SEISS to replace.

The second principle was to protect public money against error, fraud and abuse whilst reaching as many people as possible. The SEISS relies on information already provided to HMRC through tax returns to determine eligibility and awards. This helps protect the scheme from abuse by organised crime groups and fraudulent operators: when someone applies to SEISS, HMRC can cross-check their application against their tax returns. HMRC have built up systems and processes over many years to mitigate the risks of fraud and error in Self-Assessment returns, so the ability to check SEISS returns against Self-Assessments helps to protect the SEISS from abuse by organised crime groups and fraudsters. However, for other groups such as Company Owner Managers HMRC do not have data to identify them or to verify how much grant they should be awarded. This would rely solely on self-certification, and would thus open any scheme up to unacceptable levels of fraud and error by organised criminals and others who would seek to exploit these schemes.

I am very grateful for your constructive engagement with various proposals put forward such as the Targeted Income Grant Scheme (TIGS). I have recently written to the Gaps in Support All Party Parliamentary Group setting out why the TIGS proposal is not workable. These proposals primarily rely on self-certification to determine eligibility, and so do not overcome the fundamental issues mentioned above of protecting public money and safeguarding against fraud, error and abuse. Unfortunately, the fraud risks of creating a scheme built on self-certification which HMRC cannot corroborate, remain. Self-certification is feasible, where the Government can reasonably verify the declaration. Otherwise, it exposes the taxpayer to unacceptable risk of fraud and abuse.

Yours sincerely,

A handwritten signature in black ink that reads 'Jesse Norman'.

RT HON JESSE NORMAN MP

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