

Treasury Committee

Oral evidence: Economic impact of coronavirus, HC 271

Wednesday 8 April 2020

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Members present: Mel Stride (Chair); Rushanara Ali; Mr Steve Baker; Harriett Baldwin; Anthony Browne; Felicity Buchan; Ms Angela Eagle; Julie Marson; Alison McGovern; Alison Thewliss.

Questions 66 - 151

Witnesses

I: Jim Harra, First Permanent Secretary and Chief Executive, HM Revenue and Customs; Cerys McDonald, Director, CV-19 Policy Co-ordination, HM Revenue and Customs.



Examination of witnesses

Witnesses: Jim Harra and Cerys McDonald.

Q66 **Chair:** Welcome to the Treasury Select Committee evidence session with HMRC in our inquiry into the economic impact of coronavirus. I wondered if we could just start, please, by asking Jim and Cerys to introduce themselves.

Jim Harra: Good morning. I am Jim Harra and I am the Permanent Secretary of HM Revenue and Customs.

Cerys McDonald: Good morning, everyone. My name is Cerys McDonald. I am the Director in HMRC with responsibility for co-ordinating the policy response to the coronavirus.

Q67 **Alison Thewliss:** Good morning. I want to just ask you about the rules around the job retention scheme and how that is going to work in practicality. The first one, which has been raised to me by constituents as well, is that the guidance is that employees must not work productively for their employer during the furlough scheme. Can you tell me a bit more about how HMRC intends to enforce this, because I have had concerns raised?

Jim Harra: Employees must be completely furloughed by their employer. That means that they should not engage in any work for that employer while they are on furlough. They can undertake training for their employer, provided that does not involve any remunerative activity for the employer. They can also do other work for other people, so, for example, they can help the farming industry or they can volunteer and help the NHS, but they must be completely furloughed in relation to the employer that is claiming for them.

We are aware that some employees have already been reporting that some employers have asked them to work during the furlough period. We expect the vast majority of employers to do the right thing and, in fact, in many cases they have no choice, because people are genuinely furloughed and cannot work, but we will be asking anyone who has information about the scheme being abused to let us know. There is an online hotline service for any employee who feels that they are being asked to be complicit in something they do not want to be complicit in; they can contact us and let us know.

Q68 **Alison Thewliss:** What then happens to that employer?

Jim Harra: They would not be entitled to the furlough payments, so if we know that in advance we would not pay them. Otherwise, afterwards we would seek to recover the money from them, and, depending on the nature of the behaviour, if it amounted to knowingly trying to defraud us, we could take criminal action against employers.

Q69 **Alison Thewliss:** Surely it is going to be the employee who loses out at



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the end of that, so there is no incentive for the employee to report it, because they are not going to get their wages at the end of the day.

Jim Harra: I appreciate that managing compliance with this regime is going to be difficult. We believe that the vast majority of employers and employees will use this scheme responsibly and, indeed, need it for their support, but there is a range of fraud and abuse risks that we need to manage; we will be doing our best to do that. We will be relying, to some extent, on people giving us information, but we will also have the right afterwards to go in and check that a claim was correct. For example, we could look for evidence that someone was working during a period when they were not supposed to be.

Q70 **Alison Thewliss:** Okay. Could you tell me a bit more about the enforcement side of that and how you envisage that working?

Jim Harra: I am afraid that any scheme that involves paying out money attracts criminals, who want to exploit it, and attracts the risk that people who are genuinely entitled to it will inflate their claims. We have four levels of protection against all of this. First of all, in the policy design of the scheme there is some protection. The requirement that it relates to people who were on the payroll on 28 February is a key protection for us there, because it means we have data on existing payroll systems and existing employees.

Secondly, we have protection on the online service, where you have to have authentication credentials to use the service and make a claim, so that will only be open to people who we know are employers. That is the second line of protection. A third is, as I mentioned, the ability for people to contact us and let us know if they have evidence of any abuse. Fourthly, downstream, we will be able to undertake checking.

Q71 **Alison Thewliss:** In terms of making sure that people were on the payroll at that particular time, lots of concern have been raised by people who just miss out on that scheme, either because they had not quite yet been hired or because they had been let go and the employer will not take them back on. Are there risks, for employers, in terms of pressure being put upon them to take people on they did not want to take back on and, for employees, in situations where they cannot find an employer who will take them on before or after and where they will lose out?

Jim Harra: I appreciate there is a cut-off for this scheme and therefore some people will fall on the wrong side of that cut-off. I do empathise with those people. However, this is only one of a range of measures that the Government have put in place to help people, including increasing tax credits and universal credit and making that more accessible to people.

If someone who was on the payroll on 28 February left their employment after that date, we have opened up the scheme where the employer can, if they wish, take those employees back on to the payroll and then furlough them, but if you genuinely just started with a new employer after 28 February, that is the cut-off date in this scheme. As I said, it is



an important protection for us, but it is a real balance in the design of a scheme like this to get that right.

Q72 Alison Thewliss: Can I ask about the online service and the authentication process? Is that going to be easy enough for smaller employers who might struggle with that level of administration?

Jim Harra: First of all, many employers will be familiar with that, because they will be already using our online service to file their monthly Pay As You Earn returns or they will use an agent to do that and that agent will be able to file the job retention scheme claim for them as well. However, between now and the scheme going live we will be putting out more guidance for employers on how to compile their claims ready for uploading and how to ensure that they have the right online authentication credentials to enable them to use the service once it is switched on.

Q73 Alison Thewliss: Can I ask you a bit more about how the furlough scheme will work? If somebody is working five days a week, for example, is it possible for the employer to furlough somebody for three days a week, or does it have to be absolute and complete?

Jim Harra: In order for an employee to qualify for the furlough scheme, they must be completely furloughed for a minimum of three weeks, so it is not sufficient to have reduced their working hours. They must be completely furloughed. The purpose of this scheme is to protect people from being laid off, which would otherwise have been what happened to them, so that they can take up employment again quickly with their existing employer once the outbreak is over. It is not intended to give a benefit to people whose hours have been reduced, but there is the welfare system that is available to help people in those circumstances.

Q74 Alison Thewliss: In terms of the flexibility of the scheme, I have had concerns raised by the hospitality industry. For example, if a hotel had to come back on-stream for some reason and its staff were furloughed, that might pose a difficulty in getting people back when it needs them. Has that been looked into?

Jim Harra: I am not aware of that problem. Provided someone has been furloughed for three weeks, their employer can make a claim in relation to them, but if at any point their employer needs them to come back to provide services, then it will need to take them off furlough and, from that point, pay them their full wage.

Q75 Alison Thewliss: Lastly, I just wanted to ask around a point that has been raised by Maternity Action. There is an issue for pregnant women who have been perhaps put on statutory sick pay already rather than being furloughed, like the rest of the employees in a firm. Have you looked into the equalities impact of that on pregnant women?

Jim Harra: Yes, we have. I will maybe ask Cerys to come in on the detail of that in a moment, but we have made provision in the scheme to make



sure that, when we calculate the amount of the furlough grant that the employer can receive, that takes account of people who have been on maternity leave. Cerys, do you have more information on that?

Cerys McDonald: All I would say, Jim, is that this is an issue that has been raised with us. The guidance that we published last Saturday morning specifically gave that certainty around how we will calculate the salary for those who have been on maternity leave and, therefore, their salary is currently potentially lower. We have an ongoing dialogue with a lot of stakeholders at the moment, to work through a lot of these quite detailed labour market complexities, and our guidance will continue to iterate as we can provide more certainty on specific cases.

Q76 **Chair:** Can I just quickly ask a couple of quick questions? The coronavirus job retention scheme is clearly a major project in terms of delivery. You have this aspiration of hitting that target at the end of April, so it is available and up and running. It has IT right at its centre and we know that, across Government, IT projects often struggle, in terms of being over budget and late in delivery. What makes you confident that this one is going to arrive on time as required?

Jim Harra: People in HMRC and in our suppliers, such as Capgemini, have been working flat-out since the scheme was announced on 20 March, to make sure it is ready and paying out before the end of this month. The basic IT service was deployed on our IT estate over the weekend, and this morning we have opened it up for live testing with a small number of invited employers, who are today going to be using it in earnest. In the meantime, we have tested its capacity and we are confident that it will be able to cope with the very large volume of claims that we expect to receive.

Once that live testing with customers has been completed and we do any iteration of it, in the meantime we are putting in place the support package to enable employers to use it effectively, because it is important to us that the maximum number are able to self-serve. Cerys mentioned that we have put out guidance on eligibility on 26 March and 4 April. In the next week we will be adding to that guidance for employers about how to go about compiling their claims ready to upload them and how to make sure they have the right authentication credentials. We then intend to open the system on 20 April for employers to make their claims, and there should be time for employers to do that and for us to make payments before 30 April for employers for whom that is a payday.

Q77 **Chair:** Can I just follow that up, Jim? My recollection of HMRC and these various projects was, quite rightly, you analysed them in great detail. You were looking for, particularly, the weak link, for want of an expression, where there may be one element of it that causes the whole project not to be delivered on time. What is your analysis at the moment of where that weak link in the process, whether it be IT or otherwise, might rest?



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Jim Harra: On the IT side, I am confident. We have tested the new service up to a volume of 450,000 claims an hour and it will be available 24/7, so that should give time, for all employers who need to, to get claims in on those days after 20 April, in time for us to make payments for the end of the month.

The biggest challenge for us is to make sure that we enable the maximum number of employers to self-serve, so that they do not need to contact us for help or advice. Clearly, if very large volumes of employers have to contact us in the concentrated period of just a few days, then we will really struggle to provide the kind of service that we would want to on our helplines.

While we are redeploying staff and prioritising the job retention scheme in the third week of April to make the maximum number of advisers available, we will be working hard to make sure we have that guidance in place that enables employers to really get on with it and self-serve. The main challenge for us is providing support if employers feel they need it.

Q78 **Chair:** Could I ask specifically what number of individuals you expect to have on that helpline?

Jim Harra: We have about 2,000 colleagues on helplines who we can redeploy to this. In addition, we are looking to redeploy about 3,500 staff from other work, and we are working with our private sector suppliers, who already provide some helpline services to us, to supplement that if necessary.

In addition, we are working with agents, such as the Chartered Institute of Taxation and ICAEW, to make sure that their members are also available to provide help and support to their clients, quite apart from HMRC. We will be maximising the extent to which we have resources available on this, but if a million employers all try to ring us on the same day, it will not be possible for me to deploy enough resources to handle all of those calls at the same time. I am sure, if we get that level of demand, I will be asking for people's patience while we get to them.

Q79 **Chair:** What will happen if somebody phones up, they are desperate and they need this money to survive? What does the phone system tell them at that point in time if it is not possible to deal with their call in a reasonable timeframe?

Jim Harra: We will try to handle their calls if we possibly can. We will put messaging on trying to refer people to all the published guidance, which we believe is sufficient to enable the vast majority of people to go online and do it for themselves, but if someone does need to hold on the line for an operator, then we will get to them as soon as we possibly can. We will keep our helplines and our web chat service, in particular, open for as long as we possibly can to enable people to do that. There is enough time from when the service goes live for people to make their claims before 30



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April, which is when I suspect many employers will say they need this money.

Q80 Chair: In terms of project delivery, it was my experience when I was at the Treasury that sometimes there were projects that would broadly come in on time but subject to exceptions. In other words, there would be categories of customer that could not be accommodated on time, albeit that the vast majority were. Do you see any category of business or customer in this context who you are concerned at this stage might not actually get delivery on time, notwithstanding the fact you are confident that most people will receive the service on time?

Jim Harra: We are confident that this service will be available to any employer who has a Pay As You Earn scheme. Some of those employers may well use bureaus to do their regular payroll, which will not be able to handle this claim for them and, therefore, these employers will need to make sure they have their own online credentials ready, so that they can do it themselves. In the run-up to 20 April, we will be publicising the need for employers to check that either they or their agents can file on their behalf.

We are also aware of a very small number of employers—I think about 600—who are unable to deal with us online. We already know about them because they are unable to do their Pay As You Earn affairs online, and we have put in place an assisted digital support for them, so that they will be able to, with the assistance of an HMRC member of staff, get their claims through the service.

Q81 Chair: With those who you were saying were working through bureaus, can you give us a sense of the number of employers that might be within that category and, therefore, might be more of a problem than other categories?

Jim Harra: I do not have that information. Cerys can put up her hand if she does.

Chair: Jim, if you could drop a note to the Committee just to let us know what the size of that group is, that would be very helpful, and perhaps just outline the specific approach you are taking to that group, if they are one of those that you might have a lower level of confidence of servicing at the end of the day. That would be very helpful.

Jim Harra: I will do.

Q82 Chair: My final question, before I go to Alison, is around guidance. It is often the overlooked part of the equation. The policy comes out very quickly. You then knock off the hard edges of the policy as we go along. We are clearly moving at pace and that is happening across the piece, but at the end of the day it is employers logging on and reading this guidance, so it is about making sure that it is both clear in what it is saying but equally that the question that is being asked is easy to find among all the guidance. I wondered if you could just reassure us as to



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the approach you are taking there, so that if I am an employer, desperate for this money, and I have two or three questions, I am going to be able to go online and very quickly and in very simple language find exactly what it is I need an answer to.

Jim Harra: First of all, in terms of the eligibility conditions for the scheme, we published guidance initially on 26 March; we updated that on 4 April. That is pretty comprehensive. It covers the vast majority of the queries that have been raised with us and we have seen a marked drop in the number of queries we are receiving since we published the guidance on 4 April, so that is standing up pretty well.

That guidance, as I say, covers the eligibility criteria. We intend, later this week, to add practical operational guidance for employers to that, to tell them how to get ready to submit their claim, so what they need to do to check that they have the right online authentication credentials or how to get them if they do not have them, but also how they can be compiling their claim in advance of the system going live, so that, when it does go live, they have their claim ready to upload. That is the next piece of guidance that will go out.

The purpose of doing the live testing with customers from today, ahead of the scheme going live on 20 April, is to test the usability of the online service, the usability of the guidance and the demand that we can expect to see for bespoke support for employers. We will iterate that guidance as we learn from the employers that are helping us with the live test over the next 10 days or so.

Q83 **Alison McGovern:** Thank you, Jim and Cerys. I just have a few questions on the job retention scheme. The first is a simple one. Jim, you mentioned in your previous comments that training is allowed under the scheme. Can you just be really clear, because this is one of those areas that has the potential to be subject to interpretation? Can you just be really clear on what you mean by that and how employers should interpret the ability to enable their workforce, if workers choose to, to do some training while they are on furlough?

Jim Harra: The Government are keen that furloughed workers spend the time when they are on furlough developing their skills and getting training, if they possibly can. Employers can ask their furloughed workers to undertake training during their furloughed period without that bringing into question their ability to claim under the furlough scheme.

There are two issues to bear in mind in relation to that. First of all, if the training involves the employee producing any goods that the employer would then sell for profit, that would not qualify. It has to be training that does not create any sort of remuneration back to the employer, because we would interpret that as working.

The other thing that employers need to bear in mind for their lower-paid workers is that, if their furloughed payments, i.e. 80% of usual salary,



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take their employees below the national living wage, then, if they then require those employees to undertake training, they must pay them the national living wage while they are doing the training.

Q84 Alison McGovern: Do you foresee that we might have further guidance on this point? I know experience from firms in Merseyside so far has been that, while a number of workers are relieved that they are being furloughed rather than having to be made redundant, it can also feel like a traumatic experience to be essentially put out to pasture while this situation is going on. Do you foresee that we might have some further guidance on the training question?

Jim Harra: Certainly, if further guidance is required, we will happily add to that. I am not aware that we are getting queries about the guidance being unclear or insufficient, but we can certainly look at that. As you say, people want to be active. Training is one thing that the Government would like people to do, but also there is no obstacle in this scheme to furloughed workers doing work for other people or to volunteering, for example, to help the NHS. Provided their employer is happy for them to do that, there is no reason in this scheme why they should not.

Q85 Alison McGovern: Further to that, also within the scheme it is possible, is it not, to rotate furloughed workers, so that people need not be furloughed for the entirety of the situation and there might be some rotation of furloughed employees? Would you just say a few more words about that?

Jim Harra: Yes, that is correct. If you have a workforce, say, of 100 people and you need to furlough 50 but you have work for 50, then you can rotate who is furloughed. Provided each employee's furlough period lasts for at least three weeks, the employer will be able to claim the grant under this scheme, so you can furlough 50 employees for three weeks, then bring them back to work and furlough the other 50 for three weeks, if that is what you wish to do.

Q86 Alison McGovern: Alison Thewliss asked about what some people call short working, which is the idea that, as part of this scheme, we also needed an opportunity for people to work for fewer hours and get support. I completely accept that this is not part of that scheme. Do you think that there is scope to bring either a new facet to this scheme or a new scheme entirely that would enable short working? Having flexibility about the hours of their workforce has definitely been something that employers, particularly in businesses where people are trying to innovate or respond to the situation in order to come up with new products that might help get them through, have raised with me. Do you think that short working might be another scheme that we need?

Jim Harra: I appreciate that employers are sometimes putting people on to shorter working hours rather than furloughing them, because that is what best fits their needs. We certainly received representations during the design of this scheme to see if it could take account of it. However,



the purpose of this scheme primarily is to prevent people from being laid off or made redundant and, therefore, making sure that they are available to come back into their jobs to help us recover quickly in the economy when the outbreak is over and people are able to return to work. It is not designed to supplement the income of people who have gone on to short hours, but there is other assistance available for those people. I mentioned, for example, if they are in tax credits or universal credit, if their income reduces that can be reflected.

Q87 Alison McGovern: I have a follow-up to answers given to the Chair. You mentioned that the system, once it comes online towards the end of April, will be able to handle 450,000 employers per hour. What is the total number of employers that you expect to be accessing the scheme?

Jim Harra: It is very difficult to estimate how many employers will actually use the scheme, so we have had to make an assumption for the purposes of scaling the IT system. There are about 2 million Pay As You Earn schemes, because some employers choose to organise their payrolls so they have more than one Pay As You Earn scheme. We will need a claim per scheme, so we have scaled the IT system, basically to cope with that potential volume. Given that we expect a very large number of those will want to claim within the first day or two of the scheme opening, we have had to scale the system to enable it to cope with that.

The system will be available 24/7, so if more employers try to use the system at once than it can cope with, they will be queued. Anyone who has tried to get a home delivery from the supermarket will know what that experience is like, but, because of the capacity that we have created, we expect that to move quite quickly. As I say, the system is open 24/7, so if it is busy on the first day, employers can try later on.

Q88 Alison McGovern: How many employees do you anticipate could end up being covered by the scheme?

Jim Harra: Again, it is extremely difficult to tell. From an operational point of view it is not that relevant, in the sense that it is the number of claims by employers that actually give us the operational burden that we have to cope with, but I think there are about 30 million employees on Pay As You Earn. Cerys probably has a better figure than me on that. I saw an IFS report a week or so ago suggesting that perhaps 10% could be furloughed. I believe other figures came out yesterday suggesting it could be a higher number, but the number who are furloughed, the period over which they are furloughed and their incomes are all quite uncertain to come up with an estimate.

Q89 Alison McGovern: I have one final question. If you were to describe any long-term precedents that this might set, what is the biggest change in terms of HMRC? Of all of the assumptions, rules of thumb and ways of working that you have, what is the one big change that having this job retention scheme has made to HMRC?



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Jim Harra: Like any organisation, we have been profoundly affected by the coronavirus outbreak. For example, at the start of this outbreak about 18% of people in HMRC worked from home. Today it is well over 80%; fewer than 8% of our colleagues are coming into the office, and that has been a tremendous change over the last three weeks. Also, with Capgemini we have worked at tremendous speed to get this service up and ready to be launched on 20 April.

While I am really proud of how colleagues have responded over the last three weeks, both to maintain our services while we completely radically change the way we work and get this service up and running, I know that we are going to go into a really challenging and testing period, because we are going to have to handle very high volumes of claims and potentially contact in a very compressed period of time. My colleagues are all ready to do their bit and make sure we give the best possible service that we can, but I am sure we will be calling on people's patience.

I believe that this experience has shown people in HMRC that we could do things that we did not know we could do, in terms of the way we organise the way we work and the way we organise how quickly we can deliver things. I do fear that in the future Ministers will expect everything to be delivered in one month.

Q90 **Anthony Browne:** I just want to follow up the questions about the timing of this. You said you are confident that the system will be able to process claims by the end of April, but if you are a small business running out of cash with cash flow problems, you want to know when the money is going to hit your bank account. When can companies expect the money to actually be in their bank account if they are processed at the end of April?

Jim Harra: We expect payment to be in the bank account between four and six working days after submission of the claim. If employers go on in those first few days after the service opens, there will be time for them to submit their claim, and for us to do the necessary backgrounds checks and get the payment through the Bacs system, in the banking system, and into their accounts before the end of April. Four to six working days is what it is going to take us from the time of claim.

Q91 **Anthony Browne:** A lot of companies will be relieved to hear that the payment will be so swift. One thing that is not clear in your guidance is the timing of the payments or the frequency of the payments. Most companies pay monthly, but some pay weekly. Is there an option for weekly payments there, or will everyone get it monthly?

Jim Harra: Our online service will only accept one claim for any pay period, but they can make claims for different pay periods more frequently. It is not a monthly claim. The scheme is backdated to 1 March, so we are expecting that a lot of employers, when they go online when the scheme opens, will be wanting to claim backdated to some date in March when they first furloughed employees. They can also claim up to



14 days in advance of running their payroll, so if they need this money in order to put them in funds to actually pay the furloughed wages, they do not have to wait until they have paid them. They can claim in advance.

Q92 Anthony Browne: I want to pick up on some of the complaints I get from my constituents. As you can imagine, I have had a huge volume of correspondence from individuals and companies affected by this. One is on the application of the cut-off date of 28 February of payroll, which you touched on earlier and which I understand is necessary to prevent fraud; you do not want employers inventing employees just to get the cash, but a lot of people did resign after that date. They can go back to their old employer, but actually many of the old employers cannot see why they should do that. Could you not make an allowance for people who actually had a signed employment contract with a new employer before 20 March and can actually provide that signed contract to you, so you know they would have been on the payroll of the new employer, even if they were not on the payroll on 28 February?

Jim Harra: I appreciate that this cut-off date will be hard for some people and some people will fall on the wrong side of that line. There are very good reasons, as you said, why we have that date. I appreciate what you say about the kinds of evidence that people could produce, but what we have to do here is get a scheme set up very rapidly; time really has been the enemy of perfection in this. Normally, if we were going to be asked to set up something of this scale, we would probably have taken a year or two to go through consultation and come up with something that really helped everyone.

We are going to get help to the vast majority. I appreciate there are going to be some hard cases, but this is only one of a number of schemes, and hopefully people will get help from one or other of the different schemes that the Government have put in place to help people through this crisis. At this time there is no plan to open the job retention scheme to anyone beyond those who were on the payroll on 28 February.

Q93 Anthony Browne: One of the criticisms I get from employers is about the inability to do part-time furloughing. You said earlier—and the Chancellor said this—that the aim of the furlough scheme is to protect jobs for people who would otherwise be made redundant, but I have had various companies contacting me. One was an agricultural technology firm that said they needed some time from each employee to process it. They all had specialist skills, they were not interchangeable with each other, and if they 100% furloughed one employee, they would have to stop production; they would much prefer to move everyone down to a two-day week and furlough the rest of the time. The economics of it are they cannot just reduce hours like that, and so they have had to furlough the entire staff and just stop production, but if they had part-time furloughing, they would be able to carry on a lot of lower level. Is there any scope to change the scheme?



Jim Harra: I appreciate that, and we did receive a lot of representations about whether the scheme could be extended to cover people whose hours are being reduced rather than completely furloughed. As I said, the aim of the scheme is to protect people from being laid off and, therefore, it is only applying to people who have been completely furloughed. If an employer has to reduce someone's hours and, therefore, reduce their pay, then there are other aspects in the welfare system that can give people assistance during that period, but this scheme will not be able to do that.

Q94 **Anthony Browne:** I have had quite a few supply teachers complain to me about the scheme; they are employed by umbrella companies that can furlough workers, but there is no compulsory furloughing. Sometimes they just decide simply not to furlough workers, but in the system that they operate supply teachers basically get paid a minimum monthly salary by the teacher agency, so even if they are furloughed, they end up actually being paid under the minimum wage as a result of this furloughing scheme. On those two issues, for people where their employer just decides they do not want to furlough, is there anything that can be done then to help those people not just end up on unemployment benefit?

Jim Harra: I will ask Cerys to come in in a moment to describe the rules for how we calculate the amount of the furlough payment, but when it comes to the decision to furlough employees, that is a matter between the employer and the employee. This scheme does not compel employers to furlough employees. The Government expect employers to do the right thing. This is a very generous scheme that should incentivise employers to do the right thing, but it is a decision for the employer and the employee, based on the employment contract and any negotiation they have, about whether someone is furloughed or not. I do not know whether Cerys wants to come in with the details of how we calculate the amount.

Q95 **Anthony Browne:** People are being paid effectively under the minimum wage as a result of it.

Jim Harra: The scheme gives you 80% of your regular wage. For some people that could be less than the national living wage and, while there is an obligation on employers to pay at least the national living wage when someone is working or doing compulsory training, there is no legal obligation for them to pay the national living wage when a worker is not working, when they are furloughed. Again, we expect employers to do the right thing and to top these payments up if they possibly can, but the payment is set at 80% of the regular wage.

Q96 **Anthony Browne:** Cerys, did you want to come in at all?

Cerys McDonald: I was just going to pick up the point around providing more clarity to employers on how they calculate what a regular wage is. That is something that we had feedback on from stakeholders over the



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past fortnight. The guidance we published last Saturday did provide more clarity on this point and, in particular, made very clear that the calculation is done on the basis of what an employer is obliged to pay, so if someone regularly receives overtime, for example, that would be included in the calculation.

What are not included are any payments that employers can make at their discretion. A one-off bonus would be a good example of that, and that, again, is covered in the guidance. As we have already said, we are iterating this guidance in an almost live fashion as we receive more feedback on where people need more clarity with specific examples in mind.

Q97 Anthony Browne: Finally, I just want to clarify one point. According to the latest guidance, people who are furloughed cannot work for their own substantive employer, but they could go and work for somebody else and this is potentially of great interest to a lot of people who are furloughed when there are people, such as the supermarkets or the NHS, who are suddenly taking on a lot of workers. What are the restrictions on that and is it open to abuse: that people effectively end up being employed by two people?

Cerys McDonald: There are no restrictions on that at the moment. What the Government are trying to do here is both protect the individuals from redundancy and job losses, but also not restrict labour supply in a time when certain aspects of the economy desperately need additional access to labour. As the guidance says, that is consistent with the rules of the scheme.

Q98 Anthony Browne: I am sorry; I said finally, but I have one final question. You said earlier that any new system of payments is always open to potential abuse. There are vast sums of money involved here. One estimate this morning is that about a third of private sector employees could be furloughed. The costs will be £30 billion to £40 billion over three months. How are you going to be able to check that all this is not open to abuse?

Jim Harra: As I mentioned earlier, we have four lines of defence here. First of all, the design of the policy has, to some extent, been driven by the need to protect us from that kind of abuse. That is why the cut-off on 28 February for people who are on the payroll is a key defence here. Secondly, you have to be authenticated as an employer who has already had a Pay As You Earn scheme with us in order to access the online service and submit a claim.

I mentioned that there is then a period of four to six working days before payment is made. During that period we will be running checks in the background to risk-assess claims, and we will take out any that we fear are high risk before we make payment. We also have the ability for anyone, if they think the scheme is being abused, to let us know that. Beyond that, while we have not sorted out our plans downstream, we will



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have an ability after the event to go in and risk-assess and go in and check whether claims were accurately made.

Those are our four lines of defence, but you are right: we are going to be paying out a vast sum of money in a very rapid period of time, and any scheme like this is a target for organised crime. We believe we are striking the right balance between protecting the Exchequer from that kind of abuse and the imperative to get help out to those who genuinely need it as fast as we possibly can.

Q99 **Harriett Baldwin:** My first questions are for Cerys, on the policy side of the new starters who have not been captured by the furlough scheme. In a typical month, how many people would be moving jobs?

Cerys McDonald: I do not have that figure to hand at the moment, but, from my recollection, because the window that we are talking about is a matter of six weeks or so, I would expect it to be in the low hundreds of thousands. If you do not mind, I will come back to you with a specific estimate.

Q100 **Harriett Baldwin:** Given that the policy intention of the furlough scheme is to allow the economy to be able to get up and running again as quickly as possible once the pandemic has passed through, are you concerned that the scheme is set up to force people who were moving jobs during March to go back to their previous employer to ask them to furlough them?

Cerys McDonald: As Jim has already said, we developed this scheme at incredible pace and are setting it up within a matter of weeks. It is a scheme designed to protect as many people as possible from large-scale redundancies and enable people to stay connected to the labour market. As Jim said, due to the trade-offs we have had to make between speed, simplicity and managing risk, that does have a hard cut-off and I appreciate there are some people whose circumstances will mean that they do not get the upside we are intending from this scheme, but millions of employers will see the benefit. We have just had to make those trade-offs.

Q101 **Harriett Baldwin:** I appreciate that, but given that the people who are moving jobs in the economy during March are not captured by this scheme—and it does seem to be hundreds of thousands of people, as far as I can tell, certainly from my casework—do you think, from a policy point of view, you should be trying to put more pressure on the operational teams, who I appreciate are already under huge pressure, to find an operational way to reflect the fact that someone might easily be able to prove that they had moved on to a different payroll during March?

Cerys McDonald: I just have to reiterate what Jim has said. The policy and operational teams within the Treasury and HMRC have worked incredibly closely together here to make sure that we can stand up a scheme at speed that delivers the policy intent for millions of people. As Jim said, there are 29.4 million employees in the PAYE scheme and, while



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I do accept there are a small number of people who will not be able to benefit from this, the vast majority of people can, and we did need that hard cut-off point at the end of February.

Q102 Harriett Baldwin: Cerys, just finally on the policy side, if I could just reiterate what Anthony was saying, there seems to be a particular issue with supply teachers paid through an agency, whose pay does seem to be described as bonuses. I know that the guidance points you to their contract, but it would be helpful perhaps to spell that out more clearly in the guidance. I can see from a policy point of view that you would not want discretionary bonuses to be captured by the furlough scheme, but there seems to be a particular issue with supply teachers' pay being described as a bonus.

Can I turn to Jim on the operational point, please? Just on the operational side of things for those employees who are paid less than the £120 a week, which is the requirement in terms of the cut-off to register for the online PAYE system as I understand it, can you just talk us through what help you are going to be giving to employers who find themselves in that position? Do you have any idea of how many people it might affect?

Jim Harra: No, I am afraid that is not an issue that I am familiar with. If someone is on the payroll on 28 February, then they will qualify for the furlough. I am not aware that there is a lower income cut-off on that.

Harriett Baldwin: What I am being told is that there is an online system and that, if you are paying your employees less than that cut-off, you will not necessarily be registered already for the online system.

Jim Harra: I will take that away and look at that.

Q103 Rushanara Ali: Good morning. I had some questions about the self-employed. The Chancellor said that he expects that people will start to receive their grant payments by early June. There is a lot of disquiet and concern about the length of time it is going to take. The former Governor of the Bank of England, Mervyn King, said, "It is not good waiting until June. The cash has to go to self-employed businesses now in order to prevent long-term damage to the economy". Perhaps, Jim, you can start. Can you say something about why it is taking so long and why this cannot be done sooner?

Jim Harra: The decision to provide an income support scheme for the self-employed was announced on 26 March. We are working flat-out with our suppliers, alongside the job retention scheme that we mentioned, to get this scheme up and running as well. We expect that by mid-May we will have identified and contacted the self-employed people who are eligible for this help, and invited them to make a claim if they have been affected by the coronavirus and wish to receive the grant. We are committed to making those payments by early June and we are striving to do it earlier than that if we possibly can.

Q104 Rushanara Ali: Could you give us some estimates of how many people



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you think you will be able to help by mid-May and how many by the end of June? Is the Chancellor's estimate accurate against the challenge of delivery that you face, which I can appreciate is unprecedented? You have already touched on other programmes where it is going to be a challenge.

Jim Harra: This scheme should benefit about 3.8 million people. It applies to the self-employed, so that is people who receive more than half of their total income from self-employment, and it excludes those whose income from self-employment is more than £50,000 per year.

Rushanara Ali: We will come on to that.

Jim Harra: It provides support. That would mean about 3.8 million people qualifying, based on the 2017-18 data that we hold, which is the latest that is available. It is optional to claim this.

Q105 **Rushanara Ali:** Sorry, but my question was about, by mid-May, how many people you will have managed to get money to. Given you have people's tax returns up until as required for the last year, you are expected to deliver for those who have submitted their tax returns. How long is it going to take and how many people are you going to be able to release funds to by mid-May? You mentioned mid-May.

Jim Harra: The Government have given people until 23 April to submit their 2018-19 tax return, if they have not already done so, so that they can come within this scheme.

Q106 **Rushanara Ali:** Sorry, with respect, my question was about those that you have tax returns for. A lot of people in this country would have submitted their self-assessments by the deadline of 31 January. I am assuming officials are busy working on those that they have returns for. You mentioned a mid-May date of when you anticipate HMRC will have already responded to some. Can you give us some numbers?

Jim Harra: Yes, so by mid-May we intend to contact all 3.8 million people who are eligible to receive this and invite them to claim online, and then we intend to make the payments. We have promised that we will make those payments by early June, but we are striving to make them earlier than that.

Q107 **Rushanara Ali:** No one is going to receive anything until early June. On this programme not a single person will receive any money until early June is what you are saying.

Jim Harra: When this scheme was announced on 26 March that was the commitment that we made: that we would pay people by early June. We are on track to do that.

Q108 **Rushanara Ali:** Nothing will go to anyone until early June. That is quite an interesting and shocking revelation, is it not? In the meantime, we have a lot of people up and down the country who will have to live on savings, if they have any savings, and a lot of self-employed people do



not, or they are going to be in real difficulty. I appreciate this is not a policy that you are in charge of, but you are in charge of the delivery.

Jim Harra: I appreciate that people need this money as soon as we can possibly get it to them. There are other safety nets for people in need, for example the welfare system. It is not a revelation that we are able to make these payments in early June. That is what we said when the scheme was announced on 26 March. If I can make them earlier than that, I definitely will, but at this stage it is looking like mid-May when we can invite people to claim and, if we can make the payments earlier than early June, we will do so, but we are on track to meet the commitment that we gave on 26 March.

Q109 **Rushanara Ali:** Could you just run us through what it is that holds you back from staggering the delivery of this, where mid-May feels like a cut-off date by which time people receive communication, just so that the many thousands who have submitted evidence to this Committee can understand why it is that that is the timeframe in which you are working? Why can some of them not start receiving support now?

Jim Harra: The operational steps we have to take are, first of all, we have to identify the relevant people, calculate their entitlement based on the three years of tax returns for 2016-17, 2017-18 and 2018-19. In the case of some people, we have to wait until 23 April for them to make their 2018-19 return. We then have to gather bank account details, because we do not have bank account details for very many of these people, and that is one of the key pieces of information that we will be asking them to provide when we invite them, in mid-May, to make their claim, if they wish to.

Q110 **Rushanara Ali:** Of the people that you are dealing with, how many already have the details that you require? These are the people where it is more complicated. How many people already have all the information that you could possibly want, where you could process the payments sooner?

Jim Harra: We have the data to calculate people's entitlement, but we need two things from them. First of all, we need them to say whether they wish to claim, because it is only open to people whose incomes have been affected by coronavirus, and we will need their bank account details. I do not have, off hand, the number that we would have bank account details for. Some self-employed people put bank-account details on their tax return if they are entitled, for example, to a repayment, but very often those are the bank account of a nominee, such as an agent. It is not actually the self-employed businesses themselves.

Q111 **Rushanara Ali:** It would be really helpful if we could have a follow-up with some facts on some of these points, because it is just quite difficult to get a handle on exactly what we can expect and what could be done sooner rather than later, because time is of the essence.

Can I just turn to those people who are in the self-employed categories



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who will not qualify? You mentioned welfare. We know that welfare is very limited. Universal credit is pretty limited in terms of what people can actually receive. What other kinds of help are available to them, and what should be available to them?

Jim Harra: The Government have announced a range of help for people affected by the coronavirus outbreak, many of which overlap and will apply to the self-employed, so, for example, the Government-backed guaranteed loans to support businesses are there for the self-employed. Also, they have changed the rules to make it easier for self-employed people to qualify for full universal credit. Similarly, if a self-employed person's income has reduced during this period, they can obtain more tax credits if they are in a tax credit award as well. There are a number of overlapping schemes designed to make sure that people can access help if they need it.

In addition, we have deferred payment of VAT and the next payment of self-assessment, so if a self-employed person has been putting money aside to make those tax payments, they now no longer need to use that money for that purpose. Those are the kinds of things that are available to tide people over until I can get this scheme up and running and get payments out to people, which I promise you we are doing as fast as we possibly can.

Q112 **Rushanara Ali:** Those who earn even slightly over £50,000 do not qualify for this scheme if it is a single person or a single-income household. We have had quite a lot of representations on this, both individually as Members of Parliament from our constituents, but also in the Committee. Could you just give your reflections on whether you think that is an appropriate response, and what could be done to improve the scheme?

Jim Harra: The purpose of this scheme is to provide additional support to self-employed people whose income from their self-employed business has been impacted by coronavirus. The Government decided to put a threshold of £50,000 profit on the people who would qualify for this scheme, on the basis that it is targeted at the people in greatest need.

Q113 **Rushanara Ali:** That is a contradiction in terms. I have examples of people writing to me, as other colleagues do. You will be very familiar with this. There are two households: one with two incomes of less than £50,000; one with a single income slightly over £50,000, which gets nothing. How does that figure? How is that fair?

Jim Harra: I appreciate that. If we had a lot of time, we could work on developing the policy. You could take account of households, which is extremely difficult, operationally, for us to do. You could do a range of things, if you had more time.

Q114 **Rushanara Ali:** With respect, that is no comfort to people. This is an extreme situation. Did you have any input, in advice or feedback, as this policy was being developed? We appreciate the Government have had to



move very quickly; you are having to move very quickly. In times like this, rapid feedback and improvement of various programmes is crucial. We have seen improvement from feedback that has come in from our Committee and Members of Parliament, and credit where it is due where that is happening. In relation to this particular issue, there has not been an adequate response and the feedback loop has not achieved a great deal here. In the meantime, we have people facing destitution. Can you just respond to the points about whether you had input? Is HMRC giving any feedback on these issues?

Jim Harra: HMRC and Treasury officials worked together very closely on the design of this scheme and the advice to Ministers on the policy. We listen to feedback from a wide range of stakeholders. We can demonstrate, across all these schemes, that we listen to that feedback and we understand that these are tough times and there is a need to get help to as many people as possible. We have responded to that feedback where we can. To give an example, you have mentioned trying to design a scheme that works on household income, rather than the income of the individual taxpayer. It would take me, frankly, years to build a system that could respond to household income. That is not how the tax system is set up.

Q115 **Rushanara Ali:** That is really helpful, thank you. This is something that requires an entirely different approach, which might not lean on HMRC to help implement it, but we need to address this issue, because at the moment a very large group, potentially higher than 1.2 million, depending on whose estimates we are looking at, falls outside these kinds of scheme, in terms of over £50,000, but also those who do not qualify for the self-employed programme. Is it better for Government to take that away and deal with it as a separate issue, given that HMRC is not in a position to respond to this stuff?

Jim Harra: We estimate that 95% of people for whom self-employment is the main source of income will qualify for this scheme.

Q116 **Rushanara Ali:** You think that assessment of 95% is accurate. Cerys, I see you nodding. Do you want to come in on any of those points?

Cerys McDonald: No, I just want to repeat what Jim said. The 95% figure that is quoted is our estimate. We have looked at the self-employed population and the number of people who rely on self-employed income, i.e. more than 50% of their income is derived from self-employment. 95% of that population who earn less than £50,000 a year from that self-employment will be eligible; the remaining 5% with incomes above that will not be able to access the scheme.

Q117 **Chair:** Can I ask you a specific follow-up question, Jim? You highlighted that, in order for the self-employed to qualify for the scheme, they have to have been affected by the CV outbreak. How do you assess that particular point?



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Jim Harra: We have no plans to check that, certainly in advance of people claiming. We are relying on people to use the scheme responsibly. In practice, we expect that the vast majority of self-employed people's incomes have been affected by the coronavirus outbreak. I know some self-employed people are considering not applying for this scheme because they do not need it or because the nature of their business is such that they do not believe it has been affected.

We have a basic protection here, which is that the grants given to businesses will form part of their business income. Therefore, it will form part of the calculation of their taxable profits in the next tax year. There is a natural protection: if a business is still very profitable but nevertheless claims this, it will push up their taxable profits. It really is relying on people doing the right thing. The Chancellor has been clear: this is a very generous scheme but it is intended for people who need it because of coronavirus. That is who we ask to claim it. There is little opportunity for HMRC to check up on that and, frankly, given the impact of this on self-employed people, on a risk basis, it would not be very fruitful for me to look into.

Q118 **Felicity Buchan:** First, I want to say thank you for all your work. I know this is a phenomenal amount of work to put together in a few weeks, so what you and Capgemini have done is very impressive. Can I ask a broad question? What keeps you up at night? What are you worried about? What are the risks in the system?

Jim Harra: I have three key priorities through all this. My first priority is to keep my colleagues safe and to make sure they have a safe working environment. That is particularly important for the roughly 8% or 9% of colleagues who have to come into the office to provide services to our customers.

My second priority is to stand up the support schemes that the Chancellor has announced as fast as I can, striking the right balance between getting help to as many people as possible, as fast as possible, and protecting the British taxpayer from the risk of fraud.

My third priority is to keep all our regular services going. Through all of this, we have customers who are keeping their lives going but need us to update their tax credit claim, process a repayment or help them with a debt. We are making sure we can support all of that.

My main concern at the moment is making sure that, when we launch in particular the job retention scheme, where employers have to calculate how much they are entitled to and claim it, our guidance is good enough to enable those employers to self-serve, and that we do not create something that requires vast numbers of them to try to contact us for help at the same time.

Q119 **Felicity Buchan:** Employers are very rightly concerned about cash flow issues. I know, in answer to a previous question, you said that employers



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could claim 14 days in advance and you would process within four to six days. Are you absolutely convinced that these systems are robust? I know you are going through a testing process, but that is key, to get cash to these businesses, so they can pay individuals.

Jim Harra: I am very confident in the robustness of the IT system we have developed to cope with the volumes, and to do so quickly and in good time. That has already been tested, through volumetric tests. With a very small number of actual employers, we are now live-testing the usability of this system and all the support services around it. We may well tweak our guidance and our support in response to that. In terms of it handling the volumes, that volumetric testing has already been done and I have a high level of confidence in it.

Q120 **Felicity Buchan:** You mentioned that a priority is to keep the regular business ongoing. Do you think you can cope with the regular business, given that you are diverting resources, rightly, to coronavirus? In particular, will you have the focus to ensure there is no tax evasion during this process?

Jim Harra: In terms of keeping our existing services going, I am immensely proud of how colleagues in HMRC have handled that over the last three weeks, while coping, like everyone else, with a radical change to how they live their lives. We have moved from about 18% of people working at home to well over 80% of people working at home, while keeping those services running. For colleagues who have to come into the office to provide a service to our customers, we have put in place all the necessary measures to protect their well being, with social distancing in the office, additional cleaning protocols, everything we need to do to make that safe.

We have seen absence levels at this time that are remarkably low. Less than 0.7% of my workforce, for example, on 1 April were off sick because of coronavirus symptoms. Our people really have pulled out all the stops to keep that going. I expect that, in the third week in April, because my priority will be the job retention scheme, I will have to pull colleagues off those other services and ask customers to contact us during that week only if it is essential for them to get immediate help, but otherwise to be patient with us. We will come back to those services once we have all those employers in payment.

As far as protecting us all from tax evasion and tax avoidance is concerned, we are applying common sense. We are definitely continuing to protect the taxpayer from criminal attack and from serious evasion and avoidance, and making sure we keep that service to the public going. However, we know that our priority at this time is not to add to the burdens of, for example, small businesses that are fighting for survival and fighting to keep their own services and goods to their customers going. Therefore, we are applying common sense and using our judgment in making sure we do not add to burdens on people during what I hope



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will be a short period. At the same time, we keep our enforcement activity going on those who try to do serious harm.

Q121 Felicity Buchan: Going back to the self-employed, you mentioned to Rushanara that you thought 95% of people would qualify. Who misses out? Obviously there is the £50,000 rate and you mentioned that some people will not apply. Can you identify any categories of self-employed who will miss out?

Jim Harra: A large number of people have a secondary source of income that is self-employment. To give you an example, you may have a French teacher who works full time in a school as an employee, but he or she may do some French tuition in the evenings or at weekends. They have a secondary self-employment source that is not their main source of income. They will not be eligible for this scheme. The self-employed who are eligible are those who obtain the main part of their income from self-employment. Those are the people we will be contacting in about a month's time, telling them they are eligible and inviting them to join. The main group that is excluded from this are people with sources of self-employed income that are relatively small against their total income.

Q122 Felicity Buchan: You mentioned the safeguards in place against fraud for the job retention scheme. Are you confident that the self-employed scheme is not vulnerable to fraud?

Jim Harra: In the case of the self-employed scheme, we will not be asking people to determine whether they are eligible and calculate the amount they wish to claim, because we will do that ourselves, based on the data we hold. That is one key reason why it is important for us to use 2018-19 data, because we have the vast majority of those returns already in place. That is a key protection.

Q123 Felicity Buchan: Going back to the job retention scheme, I know you have already been asked about the 28 February cut-off. It is something we are hearing from a vast number of constituents who are falling between the cracks. Are there any creative solutions here?

Jim Harra: I repeat what I said. I fully appreciate that this is very difficult for people who changed jobs after 28 February and then found, a couple of weeks later, that their new job had fallen through. The Government have listened to that. They are fully aware of the strength of feeling and the impact of this, but they have had to set that against the ability to design something that is secure, that can be delivered really quickly and that reaches the vast majority of people who need it. All I can repeat is that there are other avenues for support open to people in financial difficulty, particularly universal credit and tax credits.

Q124 Felicity Buchan: I have a final question on the time-to-pay scheme. How is that working? Have you published guidance so that companies and individuals have a better sense as to whether they qualify?



Jim Harra: The Government have announced a series of policies over time on this. We opened a new coronavirus debt helpline in the middle of March and a more generous time-to-pay offer for people in financial difficulty who were unable to pay their tax on time. From 11 March to 1 April, we deferred £3.8 billion of tax through that scheme and handled well over 30,000 calls on that helpline. The average speed of answer on that helpline is now very good; it is less than a minute.

However, the main schemes that the Government have subsequently announced are that any VAT payments due between 20 March and the end of June can be deferred until 31 March next year, if businesses need that money to get them through coronavirus. Similarly, any self-assessment payments on account that are due on 31 July can be deferred until 31 January next year. For example, a self-employed person who has been putting money aside to make that payment can draw on that money, to tide them through. The VAT deferral is worth about £30 billion to businesses and we would expect the self-assessment deferral to be worth another £15 billion to income tax payers.

Q125 **Chair:** Can I quickly follow up on an answer you gave there? Of those who are excluded from the self-employed support scheme, you identified this group that, by way of example, might be working through their own business. They may choose to pay themselves substantially by way of dividends rather than PAYE income. Under those circumstances, if the former is greater than the latter, in my understanding, they would not qualify. I understand the rationale for that where, for example, that dividend income disclosed on a tax return might relate to a passive investment in shares, where the individual is not engaged in self-employment to generate that income. I am struggling a little to understand why dividends generated through self-employment, and taken through a business that the self-employed person owns or substantially owns, should be excluded. Can you explain the rationale for that? I have had quite a lot in my postbag on that particular issue.

Jim Harra: We are very aware of this issue. To clarify, if someone runs their business through a company, they will not be self-employed and, therefore, they will not qualify for the self-employed income support scheme. They will, however, qualify for the furlough scheme, the job retention scheme, in respect of the wage they are paid by the company. If an owner-manager is paid a salary for the work they do for their company, they are an employee. If they are unable to work, the company can furlough them and they can get 80% of their salary back, up to the cap of £2,500 a month, through that job retention scheme.

I am aware that some owner-managers of companies pay themselves a relatively small wage and then top that up with dividends. Those dividends would not qualify in the furlough scheme for the grant. It is only 80% of their wage that will qualify for the grant. You mentioned that the nature of these dividends is different. In reality, that is right, but from our perspective we have no way of identifying which dividends



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people receive are in lieu of wages, and which are simply a return on capital, either in their own company or as a general investment. That has been a difficult issue to work through. We have not been able, in the timescale, to come up with any design that would enable us to top up the furlough payments to those people beyond 80% of their wages.

Q126 Chair: Thank you. That is quite clear. Are there discussions going on between you and Treasury on this issue, or have Government decided that is the policy and they are sticking there, given that we are moving at such pace?

Jim Harra: It has been decided that that is the policy. That is what the guidance says. The job retention scheme being launched on 20 April works on the basis that you can have 80% of your wages. The Government continue to listen to people and know what that issue is, but at this stage there are no plans to do anything further about that.

Q127 Ms Eagle: Initially, the schemes were announced for perhaps quite a short term, maybe three months or whatever. The assessment of how much, for example, the furlough scheme would cost was based on the idea that 10% of employers would take account of it. It now looks like it is going to be very, very much higher than that, if we look at what the Chambers of Commerce and the Resolution Foundation have said. Does the fact that, in reality, the schemes are likely to be used by very many more people present you with operational difficulties?

Jim Harra: The Chancellor has said that he has put no cap on the amount of money that will be spent in these schemes. In particular for the job retention scheme, it is uncertain to estimate how much that is going to cost. In operational terms, the fact that is going to be used potentially by a lot more employers for a lot more employees will not put a particular strain on us. The number of employees furloughed is irrelevant from an operational point of view in terms of processing the claims, because it is claims per employer that I have to handle. We have scaled this system to cope with the maximum potential number of claims that employers could submit. We have tested the volumetrics of the IT system and are confident that it can cope with that.

The key thing that I would ask employers to do is to make sure they read the GOV.UK guidance, read the further guidance that we are going to put out and self-serve on the online system, and then they will get their claims through.

Q128 Ms Eagle: You are happy that you can cope with any volume operationally. By definition, you are also reasonably happy that, if these schemes have to go on longer—I am not talking about costs to the Exchequer, but about your operational issues—and they have to be administered for six instead of three months, that would not present you with any extra operational difficulties either.

Jim Harra: We could certainly do that. The Chancellor has said that the length of time that these schemes last for is not set. The job retention



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scheme runs from 1 March to the end of May. In the case of the self-employed, we will calculate their average monthly earnings, multiply that by three and give them a lump sum three-month payment. The Chancellor has made it clear that, as this situation develops, he will keep under review how long these schemes need to go on. Operationally, I stand ready to do whatever he requires.

Q129 Ms Eagle: As he keeps that under review, has he or the Treasury told you by what process they will decide whether the schemes are extended? Will there be another announcement? Will it be a written question? When will you find out whether you have to carry on doing these things? Are you aware of how the decision-making process within the Treasury will work? At what time, for example, will furloughed workers be given the guarantee that that furlough can carry on, because the scheme is being extended?

Jim Harra: I do not have inside knowledge about how and when decisions will be made. I expect that the Chancellor and the Treasury will monitor very closely what is going on in the labour market and the economy. They will listen to feedback from employers and the industry bodies that represent them about what is potentially going to happen at the end of May, as the prospect of this furlough scheme running out gets closer. I think they will watch that very closely and make decisions as and when they need to.

Q130 Ms Eagle: We have seen scheme layered upon scheme. There has been an iteration process from the first Budget on to what I call the second and third, as these schemes have been announced. We are expecting another announcement from the Chancellor about help to charities. Is this layering complexity on you that you are finding very difficult to cope with? Would you have preferred a simpler scheme? Many people have talked about basic payments, which would be simpler to administer. We seem to have ended up in a very complex situation.

Jim Harra: Obviously, I would welcome simplicity. As an administrator, the easier it is, the better. However, one thing we have learned, as we have tried to devise schemes at pace, is that the way people organise their lives is very complex. You sometimes have to have complex solutions for that. Indeed, some of the issues the Committee has asked about this morning, around the edges of these schemes, come from the extent to which we can cope with complexity, given the speed at which we are delivering this. I have had to prioritise and sequence what I am doing here. We considered the job retention scheme a real priority. It was announced first. The employers are expecting payment by the end of this month. Therefore, in terms of layering, we have had to prioritise how we deploy our resources in developing things. However, we have developed that scheme in such a way that quite a bit of the functionality can be reused in either the self-employment scheme or, more likely, the statutory sick pay refund scheme, which we also have to implement.

Q131 Ms Eagle: With these schemes, obviously it is an unprecedented



situation. Operational slowness can defeat the whole point of a scheme if there are cash flow issues, either for furloughed workers and individuals or for employers that cannot meet their April payroll. You were talking about getting the furloughed workers scheme up and running, but you are confident that people will not be missing their April payroll responsibilities because your scheme will not have delivered money to them for furloughed workers. You are absolutely positive about that.

Jim Harra: I am absolutely determined that we will open this scheme in time for employers to make claims and receive payment in good time, before the end of April, as we promised on 20 March, when this scheme was announced. We are definitely on track to do that. The fact that the service is already built, is on my IT estate and is being used by a small number of employers this morning gives me confidence that it is going to be there in good time. I have heard from Committee members today about the pressure that businesses are under and the need to get money to them as fast as possible. For the self-employed scheme, we will also be endeavouring to bring forward the payment date if we possibly can.

Q132 **Ms Eagle:** That is very reassuring. I hope a lot of people will be reassured about that. Can I ask you about a similar aspect? This is a slightly niche issue, but it is very important. The coronavirus interruption loan scheme is going to deliver support to businesses in due course, but we hear that, so far, only 1% of businesses have managed to access the scheme, because of operational issues with the banks. Some businesses in our ports, which are in a key area for the country in importing medical supplies or ventilators, for example, are in serious financial difficulty, simply because commerce has ground almost completely to a halt.

They may well be able to apply for interruption loan schemes in due course. They cannot furlough their workers in quite the same way because they are in key areas, yet they cannot make their April payrolls because the cash flow has stopped, as there has been such a decline in imports and exports. There seems to be nothing, say a grant, that might help them through that April payroll, in a key area, to stop them going under. That does not seem to be available. To what extent might we be destroying key areas of our economy by that kind of gap, as people wait to try to access loans that are going to be much slower in coming?

Jim Harra: The Chancellor said that he has created a vast economic support package here, a £330 billion package initially, to which we have added subsequently. The number of overlapping packages means that we hope the maximum number of businesses that need to access help will find a way to do that. I suspect it is not going to be possible to help everyone who needs it. The interruption loan, which I suspect would be a source for the type of business you mentioned, is not something that my Department—

Q133 **Ms Eagle:** I understand that, but it is a timing issue here. We need port infrastructure, so we can carry on importing and exporting food and medicines, for example, but our port infrastructure has ground to a halt.



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Their normal income streams have stopped. They may well have access to loans in a couple of months, but they have an April payroll and they do not furlough all their workers, because they are still doing the job. They are in a key area. We will not have done our job, as a country, if those organisations fall over, so we cannot import and export even essentials, such as food and medicines, through our logistics industry. There seems to be a gap there.

Jim Harra: I hear what you say. I am sure the Treasury and other Government Departments responsible for those sectors are monitoring that closely. If the Government feel that more intervention is required, I am sure they will consider that. I am afraid I do not have any knowledge of it.

Q134 **Ms Eagle:** Can I also ask you about the very low levels of absenteeism and self-isolation in HMRC? How come you have managed to achieve operational effectiveness and efficiency, and not had 15% to 20% of your staff off ill, like many others have? It seems an extraordinarily low figure.

Jim Harra: I have been amazed by the way that my colleagues in HMRC have responded to this. The first step we took was to put in place both the kit and the infrastructure to enable the maximum number of people to work from home. My IT department and our supplier, HSO, pulled out all the stops, as a result of which, of 65,000 employees, over 80% of them, on any working day, are working from home. They have the kit to enable them to do that, and we have the VPN infrastructure in place to enable that to work.

We have also very rapidly increased the extent to which we can serve customers from home. For example, as I mentioned, our helplines are one area where we can currently only deliver that from the office. However, we can do webchats from home and we have trained well over 1,000 additional colleagues to deliver webchat support to customers, instead of helpline support. I would say to any of my customers who are watching this that you will get a much faster service if you contact us on webchat. On Monday this week, we received about 97,000 phone calls and about 21,500 webchats. We have seen a big switch by customers to that, and we can do that from home.

In addition, we have made changes to our telephony platform and are experimenting, as we speak, with the ability to do telephony at home, so we can do helpline services from home as well. In the meantime, for the 8% or 9% of staff who have to come into the office, we have taken measures to make sure they have their own desk and can sit more than two metres away from colleagues. We have additional cleaning protocols in place for desk surfaces, kitchen surfaces, door handles, etc. Where necessary, we do deep cleans and, in many of our offices, we will do deep cleans over Easter weekend.

It is a combination. As an organisation, we are doing everything possible to enable people to work from home or work safely in the office. It is also



just a testament to the dedication and commitment of people in HMRC to serving our customers.

Q135 Ms Eagle: It is certainly very impressive. Do you make use of call centres? I, and I am sure my colleagues, have had representation from call centre workers where social distancing has not been put into effect and they have felt that they have been at risk at work. Finally, could you say a bit about HMRC's call centres? Maybe best practice needs sharing with other organisations there.

Jim Harra: One of the advantages of enabling so many people to work from home is that, for the relatively small proportion of our workforce who have to come into the office, we can spread them out through our estate and give them distancing. Many of our helplines are in offices that are shared with people who now work from home. I am not sure I have any magic tricks, but we have worked hard with our estates providers, the cleaners in ISS and our trade unions. They have all pulled together with the Department to help us do that.

Q136 Mr Baker: Thank you both, and all your staff, very much indeed. The necessity of us pressing on these difficult cases reflects no lack of appreciation for how they have worked. As somebody with a bit of ministerial experience in trying to get things delivered quickly, I want to say thank you, because you have pulled off a tremendous feat.

Of course, I also want to press some of the hard cases myself, on behalf of my constituents. I appreciate that some of the hard cases are for Ministers, because they are about policy, but I am thinking of people who are possibly facing ruin, through no fault of their own. There are two groups in particular: those who have just changed jobs, as we have talked about, and personal service companies.

Operationally, would it conceivably be possible, for those who can stand up proof that they were between jobs over the deadline, to put them on 80% of their old pay, as if they were continuing in their own employer's employment? At the moment, people are rightly quite angry that they face ruin. They face ruin at a number of pay points. I know you have said it in good faith, but saying to them that universal credit is available will not be a comfort to them, because they just will not meet their outgoings. Could those people be furloughed as if their old employment had continued?

Cerys McDonald: We need to reiterate what we have said in response to the questions many other members have raised with regard to these individuals. To echo what Jim said previously, under normal circumstances, if we are discussing a scheme like this with Ministers, we would be looking at least at a two-year run-in, with detailed consultation, publishing draft legislation and ramping up the operations in a much slower fashion. When we do that, we can show more flexibility in the design. Given the speed at which we have been operating and the urgency of getting this money out quickly to vast numbers of employers, speed has been the top priority.



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Q137 **Mr Baker:** I do not want to keep treading the same ground, but we have all emphasised that our hearts go out to people who are facing ruin through no fault of their own. We will have to take it up with Ministers. Could I ask you about the approach you will take on the collection of deferred tax? Companies will have lost months of income. As you said, Mr Harra, they might have dipped into what they have saved for taxes, in order to get by. They will face their tax bill in due course. What will your approach be to the collection of those deferred taxes?

Jim Harra: My debt management colleagues have an excellent record of giving people time to pay, if they are in financial difficulties and unable to pay their tax on time. To pay testament to taxpayers, we get a very high level of compliance with the time-to-pay arrangements we put in place. About 90% of people find that they are able to honour them. As I said, VAT payments due between 20 March and 30 June are deferred to 31 March next year. The SA payment on account due on 31 July is deferred to 31 January next year.

We do not really know what life is going to be like on 31 January and 31 March. Our intention at the moment is that our normal debt recovery processes would apply at that point. If people can afford to pay it, we expect them to do so and would enforce it. If people cannot afford to pay it at that point, we would be discussing time to pay with them, under our normal policies, which work very well. I am sure we will review that over time, as we understand what the situation is like, nearer that time.

Q138 **Mr Baker:** Thank you for covering time to pay. Could you say something about penalties and interest charges, and the approach you will take to them?

Jim Harra: For anyone who has deferred their payment of tax as a result of coronavirus, there will be no late-payment penalties and no interest. If it has not already happened, I expect a statutory instrument to be made to disapply interest to those late payments.

Q139 **Mr Baker:** Yes, we had better find a way to get back to Parliament, so we can make such a statutory instrument, if we need to. To be clear, if people are still struggling to pay this deferred tax when the time comes, next year, they would be subject to the normal time-to-pay arrangements.

Jim Harra: That is definitely the current plan, but I do not have a crystal ball. I do not know what life will be like then and whether everything will be able to go back to normal policy. That is certainly the intent at this time.

Q140 **Mr Baker:** Are you satisfied that you have enough flexibility under the current time-to-pay arrangements that those people who are struggling will not find themselves in deeper trouble, and wrapped up, then, with penalties and interest, because they have not been able to meet their time to pay in due course?



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Jim Harra: We find that, in normal times, our normal time-to-pay arrangements are very effective. They both enable viable businesses to continue in business when they are facing temporary financial difficulty, and enable us to maximise the extent to which we ultimately collect the tax due. They work very well. Assuming we are in normal times, I would expect those policies to be adequate.

Q141 **Mr Baker:** Because you do not have a crystal ball, I do not suppose you have been able to estimate what proportion of deferred tax you will be able to collect in due course. Have you any indication of how much tax will be forgone through all this?

Jim Harra: It is extremely difficult to estimate, as you might expect, because of the situation we are going through. In normal times, a rule of thumb is that we lose about 10% of debt, in effect. Whether we lose less or more than 10% in this situation is not something I can predict.

Q142 **Mr Baker:** Payment reminders will go out automatically. They are usually very carefully worded to procure payment from people. What steps have you taken to make sure that payment reminders do not go out incorrectly, in relation to deferred tax?

Jim Harra: We have taken a number of steps to make sure that does not happen. I cannot promise that we will stop our systems from generating them, because they are automatically generated. We will, if that happens, be reiterating to customers that the deferral applies and they can disregard any of those reminders, if they receive them. We are doing our utmost to make sure they do not get produced. As I said, there will be no late-payment penalty and no interest during the deferral period.

Q143 **Mr Baker:** Could you consider whether it is possible to put out some social media, saying to people what you have just said to us—that you are trying to stop these automated reminders going out—and telling them what they should do if they receive a reminder to pay that they think contradicts the policies they are taking advantage of? Otherwise, there will be a degree of panic among an already nervous population that money is being demanded that they think they are exempt from paying. I wonder if you could do some social media in advance to let people know: “It is not likely to happen but, if it does, contact us on webchat”.

Jim Harra: I am pretty sure that is already in hand. In any event, it is something we could definitely do.

Q144 **Mr Baker:** Good, thank you. Will your approach to the collection of deferred VAT differ from the collection of other deferred taxes, such as deferred income tax? The reason I raise that is that VAT, in a sense, is consumers’ money held by companies before it is passed on to HMRC. Will you take a different approach, depending on which tax you are collecting?

Jim Harra: It is not our practice to take a different approach in deciding what collection activity to undertake. There is a provision in the current



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Finance Bill, in the event of insolvencies, which gives us a preferential position in relation to taxes such as VAT and Pay As You Earn, where the business has deducted that from a customer or employee and is holding it on trust, to be passed on to the Government. That applies only in the event of insolvency. Otherwise, our approach to taking enforcement action to collect taxes is pretty much standard across all the different taxes.

Q145 Mr Baker: In the long term, could you tell us something about how you plan to evaluate what you have done? How do you foresee structural changes being necessary at HMRC, in order to deal with the overhang of this coronavirus crisis?

Jim Harra: I believe that our core purpose, to collect the taxes that fund public services, and our core objective, to be a trusted, modern tax administration, will carry through this. Our objectives are to collect all the tax that is due, to make it as easy as possible for taxpayers to pay that and as hard as possible for them not to pay it, to treat everyone fairly, to protect society from harm and to create a great place to work for our employees. Those are pretty core, and they will run through all of this and out the other side.

However, we undoubtedly will have lessons to learn from this experience. As I said earlier, I believe we have demonstrated in three weeks that we can do things we did not know we could do. They will, I am sure, have beneficial implications for how we work, longer term. We will definitely want to evaluate that. In terms of how we get back to normal, we have some grant schemes. When they end, they end. There may be some follow-up compliance activity to do, to make sure those grants were all paid out correctly, but they are a time-limited thing, which will come to an end and will not be part of our business going forward.

We will need to stand ready to support the economy as it recovers and to administer the tax system in a way that enables businesses, in particular, to pick up profitability and employment, succeed and thrive. We will want to be flexible and careful in how we go about restoring normality alongside that.

Mr Baker: I wish I had more time, but thank you both very much.

Q146 Julie Marson: Thank you, Mr Harra. It is really clear from everything we have heard already this morning that HMRC is absolutely key in delivering the schemes that are helping us get through this crisis and that will help us get out of it. It is bound to have a huge effect on your day-to-day services. While we have alluded to it already, could you perhaps reflect a bit more on what impact the diversion of resources and homeworking will have on the delivery of your day-to-day objectives?

Jim Harra: For the last three weeks, as we have made radical change, we have kept all our services going. We are not setting aside any work that is not getting done for customers. That has slightly surprised and delighted me, I have to say. Can we sustain that in the coming weeks? As



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we go through the height of the pandemic, which affects my colleagues and their families in the same way as everyone else, but also the peak of all these big new schemes, there is likely to be considerable strain on our services, but I believe that will be temporary and we will be able to restore them pretty quickly once we are through the implementation of these schemes.

The main impact is on the workforce and the way they work. My colleagues have stepped up and delivered amazingly, but they have also radically changed how they work. Coming out of this, I am expecting my colleagues to scratch their heads and think about how they want to work in future. That may well be the same across the economy, frankly. None of us really knows how our lives are all going to be different after this experience or the extent to which they will go back to normal. HMRC is in the same boat.

The last few weeks have demonstrated to me, however, that we are extremely flexible, far more flexible, perhaps, than we realised. That is key to coping with whatever comes out of this and being able to respond to it.

Q147 Julie Marson: What about major projects, such as IT? We do not know exactly what is going to happen with the Brexit talks, for example. What major projects are going to be delayed or postponed? What effect is this likely to have on major projects?

Jim Harra: There is bound to be some impact. Indeed, the Government have already announced the deferral of some big measures that we are responsible for implementing, not necessarily because of the operational challenge for HMRC, but because of the challenge more broadly to all the other actors in the economy, who all have to contribute to delivery of those projects. There are undoubtedly some tax and administrative reforms that will happen later than we had previously planned. Within my organisation, some senior resource and some key resource, in IT and budget management, is being diverted in the short term to delivering these schemes.

In relation to EU exit, we remain committed to delivering for 31 December. That is when the Government have said the transition period will end and it is enshrined in law. I am trying my best to protect those projects that HMRC has to deliver, but the things HMRC is responsible for, in relation to the end of the EU exit transition period, are not just for HMRC itself to deliver. The whole of international trade and the border industry, such as the ports, as Ms Eagle mentioned earlier, have changes to deliver as well. We will be monitoring closely their ability to respond, given how they are also being diverted at this moment.

Q148 Julie Marson: Have you asked Treasury for any more money?

Jim Harra: I have not specifically. Frankly, I have written a letter to the Chancellor, telling him that there will be a bill later on, but I have not



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specified how big it is going to be. Resources have not been an issue throughout this. The Chancellor has made it clear that this is the absolute top priority. I have felt that whatever resources I need I would get. In reality, it has been such a fast-paced few weeks that we have not stopped to work out budgets and get budgetary transfers. I have simply written a letter saying something will follow.

Q149 Julie Marson: But you get the impression that Treasury is open and accepts there will be a financial implication for your budget, as the months go on.

Jim Harra: Yes. Will that be additional resource? The opportunity for me to bring in additional resource in this timescale is limited. We are really looking at redeploying resources. Later on, we will understand what is required to get back on an even keel and have discussions with Treasury, as any Department would, about how we do that.

Q150 Julie Marson: There has been the added implication of delaying the spending review. How have you managed the resources and that delay?

Jim Harra: We have done quite a bit of work internally to get ready for a spending review, which, thanks to general elections etc., has already been delayed before. In recent weeks, we have pulled resource away from working up those strategic propositions, to focus on what we have to do. I expect that is the same in other Departments. Quite apart from the Treasury not being in a position to carry out a spending review when it might have liked, at the other end of that, neither are we.

As I said to Mr Baker, I believe our strategy for the Department will run true through all of this. We have a good idea of what we need to do, to be a trusted modern tax and customs administration in the future, and the kinds of proposition we would put to Treasury, when we are ready to have a spending review.

Q151 Julie Marson: Finally, there is one specific programme you have been doing, based on regional centres and changing the format of the organisation. Will that continue? Is that still part of your programme? Might that be something that changes, as one of the longer-term impacts?

Jim Harra: I do not believe at this point that, fundamentally, that strategy will change as a result of this. There is undoubtedly going to be an impact on when it can be delivered. We already have three of our regional centres up and running, and we are financially committed to all 13. In many of them, construction has stopped or pulled back, because certain things cannot be done with social distancing. I am sure that is going to have an impact on when regional centres can be delivered. We are currently modelling what that is but, frankly, at this stage, we do not know how long construction is going to be disrupted.

We have taken a couple of steps with our colleagues. For example, in February, we launched an exit scheme, so there were colleagues who



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expected to leave us in the next few months, but we have contacted them and said, if they are willing and able to stay on and work for us, we are happy to extend that until 30 September. In addition, the next exit scheme that we planned to launch in April or May has now been deferred and will not happen before the end of June. We recently announced the long-term extension of our sites at Washington and Centenary Court in Bradford. We have always iterated those plans and I am sure we are going to adjust them in light of the experience we are having now. Fundamentally, that remains our strategy.

Julie Marson: Thank you for everything you and your staff are doing. It really is key to getting us through that.

Chair: Jim, Cerys, thank you both very much for your contributions during this very comprehensive session. It has been useful by way of both explanation of the areas we have discussed, and identifying the risks and challenges that inevitably lie ahead. There are a number of hard edges, which we have all identified, relating to policy, and we will take that up with Government Ministers directly. The overarching challenge here is delivery, which is going to be critical to helping all the businesses and individuals we have been discussing.

If I could leave you perhaps with one thought, while we have identified many areas that you need to look at particularly carefully, I suspect we are heading towards a vastly larger number of claimants than was originally imagined. They are all, as you have said, Jim, going to descend upon HMRC at about the same time, and things such as the call centres are going to come under considerable stress. Therefore, guidance online is critical in three respects: first, that it is entirely comprehensive and covers all the questions people want to ask; secondly, that the answers are really clear, so everybody can pick them up quickly; thirdly and most importantly, as I found when I was at the Treasury, the most overlooked element is navigation. There is no point in presenting people with huge volumes of information. They have to be able to get quickly to the part of the information that they need.

We will continue to scrutinise you constructively. I think you said on two occasions, Jim, that HMRC is now doing things you did not realise you could do. We hope that that turns out to be correct. We wish you well and good luck in all you are doing. We really appreciate it.