



22 January 2021

Rt Hon Mel Stride MP  
Chair  
Treasury Select Committee  
House of Commons  
London  
SW1A 0AA

Dear Mel Stride MP

## **EVIDENCE TO COMMITTEE ON THE DIRECTORS INCOME SUPPORT SCHEME**

Thank you for the opportunity to provide oral evidence to the Treasury Select Committee earlier this week as part of your *Economic impact of coronavirus* inquiry. As requested, I am providing further written evidence with some comments about the Directors Income Support Scheme (DISS) proposal.

### General Comments

Government and HMRC rightly deserve credit for implementing support schemes in a matter of weeks and under difficult circumstances – with a focus on helping as many people as quickly as possible. However, it has been the case that gaps in coverage of the schemes have been known since their implementation – including that of directors of limited companies. ICAEW has highlighted this issue in our two previous written evidence submissions to this inquiry and stated that they should not be forgotten when government makes decisions on sustaining and extending support.

Without commenting on current media reports, the Budget Statement which the Chancellor of the Exchequer is expected to give on 3 March 2021 will provide an opportunity to make further announcements on the continued operation of both the Coronavirus Job Retention Scheme (CJRS) and the Self-employment Income Support Scheme (SEISS). In addition to providing information on how long these schemes will remain open, this would be an appropriate fiscal event to make any changes to their eligibility – for example, using 2019/20 tax returns to widen the number of taxpayers who can claim SEISS, or adjusting thresholds. ICAEW believes this would also be an opportunity to bring forward any new measures to provide support to those taxpayers who will have been outside the scope of any existing support schemes since the outside of the pandemic almost a year prior.

Just as we supported HMRC on the technical implementation of CJRS and SEISS, ICAEW would be pleased to work with HM Treasury and HMRC on how any new schemes might work, or how existing schemes could be adapted, following any policy announcements by government ministers. This is in addition to the formal submission we have already made to HM Treasury, and our continued engagement with ministers and officials ahead of the Budget Statement.

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## Directors Income Support Scheme

My comments on this scheme are based on the policy document dated 19 November 2020. ICAEW is aware that there have been discussions since that date between HM Treasury/HMRC and those who proposed the scheme – this was confirmed to the Committee on Monday 18 January 2021 in evidence given by the Financial Secretary to the Treasury, the Rt Hon Jesse Norman MP. Given this engagement, some of our concerns may have since been identified and addressed, and there may be details of the proposal which we are not aware of.

ICAEW's concerns in relation to the DISS are centred around three areas – data held by HMRC; declarations by claimants; and other sources of income:

### *Data held by HMRC*

The DISS is designed to mirror SEISS. In principle, that would be a reasonable approach to provide support for this sector. However, unlike that scheme, we do not think that it would be possible for HMRC to identify those taxpayers who are potentially eligible for support, and to calculate the value of an associated grant, based solely on data held on HMRC's systems. While information from CT600 corporation tax returns is held, it cannot be readily linked to information about directors and shareholders which would be required to establish eligibility. Although the company accounts and tax computations are also filed with these returns, companies of this size will almost certainly have used Financial Reporting Standard 105 which provides little additional information relevant to support a grant claim.

Further, while data about the remuneration of directors is held on other HMRC systems (based on employer Real-Time Information returns and taxpayers' self assessment returns), it relates to tax years rather than to the company's accounting period and so could not be easily linked.

Applications for DISS would require the company to provide information as part of the claim, and so HMRC would need to deploy significant resources to verify this information. This would include (but is not limited to) checking directors' remuneration, CJRS claims made in respect of those directors, and details of the number of working directors. In contrast, for SEISS HMRC is able to identify those taxpayers that are potentially eligible based solely on information held in its own systems.

### *Declarations by claimants*

Applications for SEISS grants require the claimants to confirm that they meet the eligibility criteria for the scheme, as HMRC can only identify those who are potentially eligible. This includes confirming that the business has continued to trade and intends to continue and that the trade has been adversely affected by coronavirus.

For the third SEISS grant, claimants are required to confirm that they meet the tighter conditions implemented by government, including confirming that they reasonably believe that they will suffer a significant reduction in trading profits due to reduced business activity, capacity, demand or inability to trade due to coronavirus and that their trading profits will be significantly reduced.

Similar declarations would be required under DISS, and in that respect the risks are similar. However, DISS claims would need to include additional declarations, such as that the directors who are being claimed for are working directors, and that only one claim is being made in respect of those who are a director of more than one company.

The proposal suggests that the amount of support available would increase to accommodate additional working directors; this means that more support would be available to companies in similar situations but who happen to have more than one working director. This may be appropriate

if more than one director is genuinely working in and relying on income from the business, but this would not be easy to confirm and has the potential to create a significant risk.

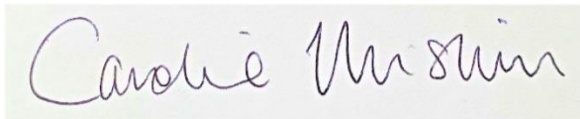
*Other sources of income etc*

As it is currently designed, DISS would not take account of the directors' other sources of income and would allow claims to be made by those with very substantial income from other sources (the £50,000 income cap and 50% of income tests in SEISS preclude claims in these circumstances). In some cases, the company may have already obtained grants from other government support schemes – these may also need to be taken into account, increasing its complexity and the need for additional resource-heavy verification by HMRC.

As I stated to the Committee, I believe that the above concerns may be surmountable from a technical perspective. If the government wishes to consider how the existing support schemes could be extended to cover possible gaps in support such as those highlighted in the report, ICAEW stands ready, alongside other professional bodies, to work with HM Treasury and HMRC to help identify how such a scheme could work in practice,

I hope this information is useful as part of the Committee's continuing inquiry into the economic impact of coronavirus, and in particular the employment support schemes.

Yours sincerely

A handwritten signature in blue ink that reads "Caroline Miskin". The signature is written in a cursive style and is set against a light green rectangular background.

Caroline Miskin  
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