



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

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

16 February 2021

Dear Mel,

### **TSC session on 18 January 2021: Tax after Coronavirus**

Many thanks to the Committee for inviting me and HMT officials to speak with you last month. It was on an important set of issues.

During our discussion, there were several points on which I committed to write. I will address those points in turn.

#### Tax policy announcement update

In the session, I mentioned some of our early thinking about the timing of tax policy announcements, and this has continued to develop.

Announcements which have fiscal implications that need to be captured in the OBR's economic and fiscal outlook, and announcements of measures to be legislated in the Finance Bill, will be made on Budget day in the normal way.

However, as I set out to the Committee, there is a case for announcing consultations separately from the Budget, where those consultations do not have to be published on Budget Day. Having reflected further on this, I intend to lay a Command Paper, "Tax policies and consultations (Spring 2021)", before the House on 23rd March which will contain further announcements relating to tax policy. The Command Paper will include a number of consultations, most of which will be published on the same day. Several of these consultations are an important part of the Government's 10-year tax administration strategy, 'Building a trusted, modern tax administration system', which I published in the summer of last year. Some documents which are announced in the Budget and which the Government would usually have published alongside the Finance Bill, will also be published on this day.

As I mentioned in our session, the goal of making these announcements separately to the Budget, but still all on a single day, is to give a range of important but less high profile measures greater visibility among, and opportunity for scrutiny by, Parliamentary colleagues, tax professionals and other

stakeholders. It will thus be, I hope, a small but potentially useful reform. The Treasury does not have any plans at this stage to update the current tax policy making framework, but it will seek stakeholder views before deciding on whether to make permanent changes, including of course from the Treasury Committee.

### Public register of beneficial ownership in the Crown Dependencies and Overseas Territories

All of the Crown Dependencies (CDs) and Overseas Territories (OTs) with financial centres already share confidential information on company beneficial ownership and tax information with UK law enforcement bodies in real time under the Exchange of Notes Arrangements; and all have now agreed to introduce publicly accessible registers of company beneficial ownership.

The Government expects all OTs to have publicly accessible registers of company beneficial ownership, and CDs to have tabled legislation to have them, by the end of 2023, in line with the Government's call for all countries to make public registers a global norm by 2023. The Government's approach is to work in partnership with the CDs and OTs. It respects the constitutional boundaries and status of the CDs and OTs, and believes that progress is best achieved by working together.

### Northern Ireland and rules of origin

The Northern Ireland Protocol ensures that there are no customs duties on goods moved from Great Britain to Northern Ireland, except when those goods are deemed to be 'at risk' of onward movement into the EU. The new UK Trader Scheme allows traders to declare that their goods are 'not at risk' and therefore not subject to customs duties.

In the event that goods moving from Great Britain to Northern Ireland are deemed 'at risk', traders may also benefit from the zero tariffs available under the UK-EU Trade and Cooperation Agreement. The Trade and Cooperation Agreement ensures there will be zero tariffs or quotas on trade, where goods meet the relevant rules of origin. These rules are a standard feature in trade agreements globally, and are designed to prevent circumvention of tariffs by third country goods. The UK Government's position in negotiations was developed in close consultation with trade associations, businesses and sector experts from across the UK.

In addition, on rules of origin specifically, until 31 December 2021, for both goods imported from the EU to the UK and vice versa the Government and the EU have agreed that businesses do not need supplier declarations to be in place at the time of export in order to claim preferential tariffs. This facilitation applies equally to traders moving goods from Great Britain to Northern Ireland who seek to access preferential tariffs under the Trade and Cooperation Agreement. This effectively allows an exporter to declare the origin of their goods without needing the full range of underlying documentation to be immediately in place to prove it, although traders may be required to provide evidence retrospectively.

Goods originating in the EU which are moved into Northern Ireland via Great Britain may be unable to benefit from preferential rates under the Trade and Cooperation Agreement if they enter free circulation in Great Britain. However, traders moving such goods into Northern Ireland may use the UK Trader Scheme to declare goods “not at risk” – and therefore not subject to EU duties – regardless of origin. Alternatively, traders can use customs facilitations such as transit or returned goods relief to move goods tariff free from the EU to Northern Ireland via Great Britain.

The Government is directly engaging a range of stakeholders, hosting bespoke webinars, teach-ins and workshops to support businesses to trade with the EU effectively and to help those moving goods to Northern Ireland. This supplements the comprehensive UK-EU rules of origin guidance published in December and which the Government continues to update in response to stakeholder feedback, and the tools to check duties and customs procedures for exporting goods available on GOV.UK.

#### HMRC steps against COVID-19 support scheme fraud

HMRC have a planning assumption for the level of error and fraud in the COVID-19 schemes: 5 to 10% for the Coronavirus Job Retention Scheme (CJRS); and 1 – 2% for the Self-Employment Income Support Scheme (SEISS). As we said at the Committee, these are still assumptions and HMRC will not have a complete assessment of the total fraud and error for CJRS until the end of 2021 at the earliest, although they are reviewing that timeframe as the schemes have been extended.

To prevent error and fraud, HMRC built many controls into the operation of the digital services. For example, the CJRS system did not allow people without a current PAYE scheme to make a claim; and claimants are required to submit details of who has been furloughed and for how long to HMRC. The data submitted by claimants can be checked against verifiable data already on HMRC’s systems. Payments may be withheld or need to be repaid in full to HMRC if the claim is based on dishonest or inaccurate information or found to be fraudulent.

HMRC recognise that lots of claimants are under considerable time and financial pressure and may have made claims that are incorrect. The Finance Act 2020 gives all those who have claimed 90 days from receipt of the grant to correct claims that are incorrect without incurring any penalty. HMRC will work with people who have made an honest mistake to put things right.

HMRC take a data-based approach to identifying claims that may have been made fraudulently. They compare the information from the claim with other HMRC data, third party data and follow up and evaluate all fraud reported to the fraud hotline services.

HMRC have written to around 27,000 CJRS claimants where there is a high risk that the claim is incorrect. This was to give those claimants an opportunity to

correct their claim without being exposed to a penalty. They have similarly asked 24,000 SEISS claimants to check they were entitled to their grant.

HMRC are also conducting one-to-one interventions for CJRS and SEISS focused on those who have deliberately sought to abuse the scheme. It is too early to quantify the money that will be recovered from this work.

Action against the most egregious of these cases will include penalties and criminal investigation. HMRC now have legal powers to recover any money that has been overclaimed and they have already made an arrest in relation to suspected criminal activity.

I look forward to continuing to work with you and the Committee in future.

As ever,

A handwritten signature in black ink, appearing to read 'Jesse'.

RT HON JESSE NORMAN MP