Work and Pensions Committee
House of Commons, London, SW1A 0AA
Tel 020 7219 8976 Email workpencom@parliament.uk

From the Chair

Rt Hon Jesse Norman MP
Financial Secretary to the Treasury

8th July 2021

Dear Jesse,

I am writing following your response to my WPQ 18458.

Your answer said that 99.25% of the Individual Payment Submissions held by HMRC are attached to an employment with a valid National Insurance number. In other words, 0.75%—or about 325,000 returns per month—are not.

This discrepancy highlights an important difference between DWP's digital Real Time Earnings system and HMRC's electronic-only approach to reporting RTI: that RTI does not mandate the use of National Insurance Numbers required to make the data immediately available to DWP.

That means in turn that there is a gap in the availability of RTI earnings to DWP for calculating Universal Credit awards.

Universal Credit's digital design means, as you know, that monthly awards are calculated automatically for working claimants and households using RTI. UC assumes that all HMRC RTI earnings are made available to it in real time and are correct when it calculates a claim award. If RTI earnings paid to, and received by, the claimant are not then shared with DWP, or arrive late from HMRC after the claim date, the UC award will be wrong.

Many claimants may not realise that their full income has not been disclosed to DWP and that they need to inform DWP about the undisclosed earnings. They run the risk of being accused of committing fraud if they do not tell DWP about earnings that have not been picked up by the UC system.

Where people do self-report earnings not shared with DWP, they face their awards changing—exposing them to budgeting challenges, the recovery of overpayments and the risk of debt.

Please can you answer the following questions:

1. Has HMT made any assessment of:

a. revenue lost to UC overpayments from RTI earnings never disclosed to DWP because HMRC is unable to match the data to a taxpayer's record?

b. the additional funding costs to HMT and DWP arising from late or incorrect RTI data?

2. **What steps is HMT taking to improve RTI data administration and to minimise the creation of new claimant debt? Where errors have arisen because of gaps in the RTI system, will you consider not using Universal Credit to recover incorrectly calculated awards?**

HMT ministers committed in 2010 to give consideration to the further development of PAYE once RTI had bedded in and been evaluated.[1]

Given the seriousness of the impact on claimants, the likelihood that there will be higher numbers of UC claimants in work as the Coronavirus Job Retention Scheme comes to an end, and—in due course—DWP's plans to resume the managed migration of Working Tax Credit claimants to UC, I hope you will look again at RTI's technical shortcomings.

We would be grateful for your response by 22nd July.

I have also written to Jim Harra today, and enclose a copy of that letter.

Yours sincerely,

Stephen Timms

Rt Hon Stephen Timms MP
Chair, Work and Pensions Committee

[1] Improving the operation of Pay As You Earn (PAYE): Collecting Real Time Information, 3 December 2010

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From the Chair

James Harra, CB
Chief Executive & First Permanent Secretary
HM Revenue and Customs
100 Parliament Street
London SW1A 2BQ

8th July 2021

Dear Jim,

I am writing following the Financial Secretary's response to my WPQ 18458, which acknowledges a gap in the availability of RTI earnings to DWP for Universal Credit.

The information sharing agreement between HMRC and DWP relies on the claimant employee's National Insurance Number (NINO) to ensure RTI earnings are immediately made available to DWP.

Where a claimant's RTI earnings cannot be matched to a NINO, DWP's digital systems calculate the individual claimant or household's monthly UC award on the basis that they did not receive these earnings, despite being paid by their employer.

This has significant impacts for UC claimants, who may not realise that they are required to disclose the unreported income. They may find that they have to repay overpayments that they have inadvertently received, which could lead to budgeting difficulties and debt. More seriously, they may be at risk of being accused of fraud for failing fully to report their earnings.

Please can you answer the following questions:

1. **What is the proportion of all RTI employment records (excluding pensions in payment) first reported by employers without a NINO?**

   a. **Does HMRC process such RTI data to attempt to identify the taxpayer and NINO to match the earnings to the correct taxpayer identity?**
   b. **If yes, what data fields does HMRC use to identify the taxpayer's NINO?**
   c. **How much does this HMRC data processing reduce the initial proportion of (1.)?**
   d. **How long does it take before earnings matched to a NINO in this way are made available to DWP?**

2. **Has HMRC done any analysis to understand if employers reporting RTI without NINOs is associated with more frequent (weekly) pay cycles and particular types of employment, such as casual or lower paid work?**

We would be grateful for your response by 22nd July.

I have also written to the Financial Secretary today, and enclose a copy of that letter.

Yours sincerely,

Stephen Timms

Rt Hon Stephen Timms MP
Chair, Work and Pensions Committee