



HM Revenue  
& Customs

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**Chief Executive and First Permanent**  
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Meg Hillier MP  
Chair  
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Dear Ms Hillier,

### **Thirty-Fourth Report of Session 2019-21**

Thank you for the Public Accounts Committee's report Covid-19: Support for Jobs. I am writing to respond to Recommendation 5, 'that HMRC should write to the Committee within three months outlining how it can utilise the information it already collects to better estimate the levels of fraud and error; and also outline steps it intends to take to recover CJRS and SEISS grants made during the first phase of the scheme if recipients made substantial profits or were not adversely affected by the pandemic.'

I will first set out the approach we take to estimating levels of fraud and error for the SEISS and CJRS, and then move on to the recovery of grants before concluding with a summary of some of the measures announced at Budget 2021.

#### **Error and Fraud estimate**

HMRC has a planning assumption of the error and fraud levels for the Coronavirus Job Retention Scheme (CJRS) and Self-Employment Income Support Scheme (SEISS), using the best available evidence. Our planning assumptions for error and fraud are between 5% to 10% for CJRS and between 1% to 2% for SEISS 1 to 3 as we originally set out to the PAC and TSC in September last year. The department will continue to develop estimates of error and fraud using data from the schemes, operational compliance activities, including random enquiry programmes, and information from social research surveys.

The information HMRC will use to produce our estimates of error and fraud for the COVID support schemes fall into several broad categories including:

- HMRC's expertise on the technical aspects of the COVID support schemes' design
- Outturn statistical data for the schemes themselves
- HMRC's tax return and/or scheme-specific administrative systems
- HMRC's compliance pre-payment processes and related data

- Data from HMRC's hotlines
- Results from post payment compliance activities

HMRC will incrementally adjust estimates as new data emerges and expects to have a more conclusive estimate of the total fraud and error for CJRS and SEISS towards the end of 2021, when compliance data will be available to allow HMRC to refine and improve its estimates. In particular HMRC will draw on:

- Results from the CJRS Random Enquiry Programme (of compliance cases). These will be key to producing final CJRS error and fraud statistics given their randomly selected nature, meaning that statistical processes can be applied with much more confidence.
- The completion of downstream compliance activity in bulk. HMRC has been active in blocking suspect claims throughout the COVID support schemes, but compliance enquiries take time. HMRC can build a better picture as more are completed.

### **Eligibility criteria and recovery of grants**

The government's priority for CJRS and SEISS from the start of the outbreak has been to protect jobs and get support to those who need it as quickly as possible. We have ensured prompt payment has reached eligible citizens within days of their claim.

The eligibility criteria for CJRS does not rule out being able to make a profit whilst using the scheme. For SEISS 1 and 2 the 'adversely affected' declaration was not tied to profits. For recipients who made profits, and were otherwise eligible for the schemes, HMRC will be recovering voluntarily returned amounts only.

Since the third SEISS grant, there has been an additional requirement for claimants to declare that they have a reasonable belief that any reduced business activity, capacity, demand or inability to trade due to Coronavirus, will result in a significant reduction in their trading profits, compared to what they would otherwise expect to have achieved. Claimants must keep evidence that shows how their business has been impacted by Covid resulting in less business activity than otherwise expected.

HMRC has established a disclosure facility that allows customers to return CJRS and SEISS grants and claims for any reason. We have helped claimants do the right thing and make more than 155,000 corrections and £650m of voluntary repayments. This has included larger employers voluntarily returning CJRS grants, as their profitability had not been impacted by the pandemic and support was no longer required.

We have a range of measures in place to protect the schemes against abuse from organised criminal attacks, inflated claims and other non-compliance. If CJRS or SEISS claimants are found to have fraudulently claimed a grant to which they are not entitled, HMRC has powers to recover that grant and to impose a penalty charge. We tackle non-compliance in three ways:

1. We design compliance into the schemes to prevent incorrect or fraudulent claims being accepted;
2. We promote good compliance through education and good customer service, such as easy ways to correct errors and repay overclaims, and have written to more than 50,000 CJRS and SEISS claimants asking them to check they claimed correctly; and
3. We step in where we see something has gone wrong and have opened 10,000 cases into suspected claims of both fraud and error.

Our post payment compliance approach is data driven, using a range of available information including customer returns, third party information, hotline referrals and cross reference to claims made on other COVID schemes.

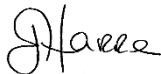
To increase transparency and encourage reporting of fraud to HMRC, we are publishing the details of employers that have made claims through the CJRS on a monthly basis.

### **Spring Budget Announcements**

To support businesses and employees through the next stage of the pandemic, the Budget announced the extensions of the CJRS and SEISS until the end of September 2021. To target support towards those most affected by the pandemic, for the fifth SEISS grant claimants must state if their turnover has fallen by more or less than 30% compared with pre-pandemic turnover. (This is known as the Financial Impact Declaration). HMRC can corroborate the information submitted for the Financial Impact Declaration against 20/21 self-assessment returns, once received.

The Chancellor also announced that the Government will invest over £100m in a Taxpayer Protection Taskforce of 1,265 HMRC staff to combat fraud on the HMRC Covid-19 schemes, one of the largest and quickest responses to a fraud risk by HMRC. The Taskforce will be made up of over 1,000 experienced investigators conducting compliance activity, and an additional 100 staff contacting claimants to prompt self-correction. This builds on HMRC's successful counter-fraud activity to date: HMRC have opened 10,000 enquiries into Covid support scheme claims so far and have another 5,000 in the pipeline. This investment will see HMRC double the number of enquiries to at least 30,000 over the next two years.

Yours sincerely



**JIM HARRA**  
**CHIEF EXECUTIVE AND FIRST PERMANENT SECRETARY**