

Covid support schemes (Lecture A796 – 4.16 minutes)

On 18 July 2022, HM Revenue and Customs (HMRC) issued a policy paper *Tackling error and fraud in the Covid-19 support schemes*.

The policy paper recognises that the total claims for the Coronavirus Job Retention Scheme (CJRS) amounted to £28.1 billion. 2.9 million individuals received a grant, and 10.4 million total grants were claimed.

HMRC were aware at the outset that these schemes would be a target for fraud (especially considering how quickly they had to launch the scheme). HMRC also recognised that they would also be a target for error because individuals were operating at pace and under pressure to ensure resources were available to employees.

HMRC blocked more than 65,000 claims which were worth a total of £425 million via pre-payment checks. Other claims that were flagged as 'high risk' were subject to post-payment compliance checks. HMRC have stated in their policy paper that their checks have prevented more than £775 million from being lost through fraud and error. This has been achieved through preventing losses through compliance checks or by recovering overclaimed grants.

In addition, taxpayers have also made unprompted decisions to repay £970m. These decisions were twofold: the taxpayer either decided to repay the money because they no longer needed it; or because they recognised an error and returned the money.

1.1 Taxpayer Protection Taskforce

HMRC confirmed that the government has invested over £100 million in a Taxpayer Protection Taskforce whose objective is to combat fraud through Covid-19 support schemes. Up to 31 March 2022, this taskforce has opened nearly 41,000 one-to-one compliance interventions and contacted over 63,000 people via one-to-many campaigns.

The taskforce is made up of tax specialists who have a wealth of experience in responding to fraud and error. HMRC have stated that tackling Covid-19 fraud is a major priority and hence they require skilled and experienced staff from tax compliance.

HMRC have also insisted that they are not prepared to write anything off where fraud or error is concerned, and they will continue to prioritise the most serious cases of abuse. HMRC have legal powers to recover fraudulent claims up to 20 years after the event.

1.2 Estimates of fraud and error

HMRC have gathered information via data through a Random Enquiry Programme which means they can revise their error and fraud estimates with more certainty.

The most likely estimate for the value of error and fraud in the CJRS, the Self-Employed Income Support Scheme and the Eat Out to Help Out scheme during 2020 and 2021 is now £3.9 billion (estimated range between £2.8 billion and £5.5 billion). This was down from the previously published most likely estimate of £5.8 billion.

HMRC's most likely estimate of the rate of error and fraud in the schemes in 2020 and 2021 is 4.8%, whereas their previously published estimate was 7.2%.

These estimates have been put together by experienced statisticians, with input and peer review from the UK's Office for National Statistics and international colleagues.

For the CJRS, HMRC have stated that new data from the Random Enquiry Programme and compliance cases shows that the overall level of error and fraud in claims made by individual employers is generally low.

Of course, all estimates (by their very nature) come with a degree of uncertainty. HMRC have recognised this uncertainty by using recognised statistical techniques to determine ranges for their estimates as opposed to using single figures. This has allowed them to account for the uncertainty involved in estimating how many employees were working while their employers claimed from the CJRS as well as any measurement or sampling error in the Random Enquiry Programme.