

covid-19: HMRC to carry out enquiries into support schemes

BUSINESS INFORMATION UPDATE FROM LOCKYERS

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the coronavirus job retention scheme, or “furlough”, and the self employed income support scheme are under investigation

For thousands of businesses, the Self Employment and furlough schemes were a life support when a full lockdown began in March 2020; however, the schemes had to be developed quickly and were, at times, being developed and amended in real time. The evolving guidance and swift implementation has meant that, in some cases, businesses who made use of the schemes made errors in their claims, while others unfortunately sought to take advantage of the schemes and make fraudulent claims.

While it has been reported that as many as 27,000 cases were being reviewed for suspected abuse or fraud as early as September 2020, and over 11,000 people who received self-employment grants were sent letters questioning their claims, the government have only recently announced an investment of over £100 million to set up a specialist taskforce. This taskforce is designed to challenge potentially fraudulent COVID-19 support claims and will take on 1,200 members of staff in order to carry out an estimated 30,000 challenges.

what this means for businesses

- HMRC action is likely to be in the form of an official enquiry (or compliance check) into claims for these grants; this is likely to include claims suspected to have been made in error, in addition to fraudulent ones.
- HMRC may seek to charge penalties if it is found that amounts have been overclaimed. In the past, HMRC have been shown to demand levy penalties of as much as 100% of the grants that were overclaimed.

action

Seek early professional advice

Tax law is notoriously complex. For businesses who are contacted by HMRC regarding these support schemes, it's important that they seek early professional advice to support them.

Establish why an error occurred

Penalties are focussed on the behaviour at the time of the claim. Errors made due to the pressure of COVID-19 or lack of clarity in HMRC guidance can often be overlooked so it's crucial to seek professional advice to maximise your chances of successfully defending any penalty charge.

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