

Coronavirus support schemes and fraud

Now that furlough and support schemes are winding down, HMRC are now starting to refocus their attention at fraudulent and erroneous claims made under these schemes.

Up until this point, HMRC has been occupied with sorting out people's claims to the Coronavirus Job Retention Scheme (CJRS) and the Self-Employment Income Support Scheme (SEISS) amongst others. However, as the winding down of such schemes begins, HMRC will start to turn their attention to tackling fraudulent and erroneous claims.

Before doing this, claimants will be given a 30-day window in which to confess to any possible wrongdoing and abuse of the schemes. Draft legislation is being rushed through Parliament and is expected to become law in early July 2020 as part of the Finance Bill 2020.

Why are they looking into this now?

The amounts paid out from such schemes have far exceeded what was expected by the Government with almost £20 billion being paid out to more than one million employers in furlough claims as of 7th June 2020. £7.5 billion was expected to be paid out to 2.6 million self-employed in the same period. Added to this is the fact that there have been almost 1,900 reports of furlough fraud to HMRC.

Whilst such schemes were needed and have been a lifeline to so many business and individuals across the country, there was always the risk that such schemes would unfortunately be open to abuse. In particular, whistleblowing organisations have reported thousands of calls from employees claiming they have been asked to work while on furlough, which was against the rules prior to 1st July 2020.

Certainly, at the very beginning when the schemes were first introduced, they would be open to errors by innocent claimants simply being in a rush to claim and keep their business and livelihood going. Nevertheless, claims are being checked and payments will be withheld or need to be repaid if HMRC believes that the claim is based on dishonest or inaccurate information.

What are the consequences for fraudulent claims?

HMRC has said that they are not trying to catch people out and where a genuine mistake has been made, they will help to put it right.

For those claims where HMRC suspects fraud, the draft legislation will enable and include powers to pursue company office holders where businesses become insolvent, with joint and several liability.



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