

Mr Mustafa Fuat

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24 June 2020

Dear Mr Fuat

Ref: FOI2020/19932

Freedom of Information Act 2000

Thank you for your enquiry of 5 June 2020, which we have considered under the terms of the Freedom of Information Act 2000 (the FOI Act).

You asked for the following information:

"Now that CJRS and SEISS have been successfully implemented, please provide evidence as to why HMRC has not created, or apparently has not commenced creating, a new scheme to support limited company directors who receive income via PAYE and company dividends.

Specifically, what is the end point of the time period apparently limiting the Chancellor's commitment that "we all stand together"?

Although you have cited FOI in the subject line of your request, your enquiry does not fall within the scope of the FOI Act. The FOI Act provides a right to recorded information. In order to exercise this entitlement a request must describe the specific recorded information sought. We believe that the terms of your enquiry do not constitute a valid request for recorded information within the meaning of section 8(1)(c) of the FOI Act, as it is not a request for specific content. We are therefore responding outside the Act.

You have asked why the Government has not set up a new scheme to support limited company directors who remunerate through a mixture of PAYE salary and dividends.

The Government has announced an unprecedented package of support for those adversely affected by COVID-19, including support available to those operating through their own company.

Those who pay themselves a salary through their own company are eligible for the Coronavirus Job Retention Scheme (CJRS). The CJRS is available to employers, including owner-managers, and individuals paying themselves a salary through a PAYE scheme are eligible. Where furloughed directors, including companies with a sole director, need to carry out particular duties to fulfil their statutory obligations, they may do so provided it is no more than would reasonably be judged necessary for that purpose.

Dividends are not covered by the CJRS or the Self-Employment Income Support Scheme (SEISS). Income from dividends is a return on investment in the company, rather than wages. Under current reporting mechanisms it is not possible for HM Revenue and Customs (HMRC) to distinguish between dividends derived from an individual's own company and dividends from other sources, and between dividends in lieu of employment income and as returns from other corporate activity.

The Government has worked with stakeholders and carefully considered the case for providing a new system for those who pay themselves through dividends. However, targeting additional support for those who pay their wages via dividends is much more complex than existing income support schemes. Unlike announced support schemes, which use information HMRC already holds, it would require owner-managers to make a claim and submit information that HMRC could not efficiently or consistently verify to ensure payments were made to eligible companies, for eligible activity.

The Government has heard the suggestion made that HMRC could adopt a 'pay now, clawback later' approach. However, such an approach would be highly resource-intensive to ensure appropriate compliance, and there is a high risk that incorrect or fraudulent payments could not be recovered, ultimately at the cost of UK taxpayers.

The Chancellor of the Exchequer has said there will be no further extension or changes to the SEISS or CJRS. However, other support is available. The CJRS and SEISS continue to be just two elements of a comprehensive package of support for individuals and businesses. This package includes Bounce Back loans, tax deferrals, rental support, increased levels of Universal Credit, mortgage holidays, and other business support grants. More information about the full range of business support measures is available at:

www.gov.uk/government/collections/financial-support-for-businesses-during-coronavirus-covid-19.

If you have any queries about this letter, please contact us. Please quote the reference number above in any future communications.

Yours sincerely

Information Rights Unit

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Email: foirequests@hmtreasury.gov.uk

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