

Witness Name: James Alan Harra

Statement No. 1

Exhibits: JH

Dated: 23 February 2023

UK COVID-19 INQUIRY

WITNESS STATEMENT OF JAMES ALAN HARRA

I, James Alan Harra Chief Executive and First Permanent Secretary of His Majesty's Revenue and Customs (HMRC) will say as follows.

Introduction

1. I was appointed as HMRC's First Permanent Secretary and Chief Executive in October 2019. Prior to this I held a number of senior positions in the department including being HMRC's Second Permanent Secretary and Deputy Chief Executive from 1 January 2018.
2. In drafting this statement, I have necessarily drawn on the knowledge of other members of HMRC staff. As a result, some of the material covered in this witness statement refers to facts which are not within my own personal knowledge.
3. The statement focuses on the period between the 11 June 2009, which is when the World Health Organisation ("WHO") announced that the scientific criteria for an influenza pandemic had been met for what became known as the 2009-2010 Swine Flu Pandemic; and 21 January 2020, which is the date on which the WHO published its 'Novel Coronavirus (2019-mCoV) Situation Report -1'.

4. Prior to 2020 HMRC was not in a position to prepare for or deliver the kind of large-scale economic support that it did in the Covid-19 pandemic as it did not have legal powers and functions to do so nor, as far as I know, was it envisaged that HMRC would be tasked with doing so. Temporary functions were conferred by the Coronavirus Act 2020 in a novel policy development process. This context is relevant to how I have addressed the question of HMRC's preparedness to provide economic support in this statement.

Background

5. It may be helpful if I begin by explaining some background about HMRC for the Inquiry.
6. HMRC is a non-ministerial department established by the Commissioners for Revenue and Customs Act 2005 (CRCA). As the UK's tax and customs authority, it collects the money that pays for the UK's public services and gives financial support to people.

HMRC Commissioners

7. Statutory responsibility for the day to day running of the department's functions, including specific decisions about people's tax affairs, rests with the Commissioners for HMRC and officers they appoint.
8. There are currently seven Commissioners – myself, Angela MacDonald, Justin Holliday, Penny Ciniewicz, Myrtle Lloyd, Joanna Rowland and Jonathan Athow.
9. Under the CRCA, the Commissioners are responsible for all the functions (other than prosecutions) which were previously the responsibility of the Inland Revenue and Customs and Excise. This includes responsibility for the collection and management of revenue previously collected by those departments (e.g. income tax, corporation tax, national insurance contributions, VAT and excise duties) and the payment and management of tax credits. A number of other statutory functions have been given to HMRC over the years in other enactments. HMRC can only ever act within its statutory functions.
10. The Commissioners are required by CRCA to comply with directions of a general nature given to them by His Majesty's Treasury (HMT) (within the constraints of HMRC's statutory functions). HMRC takes direction from Ministers as to its operational priorities, strategies and targets and sets out HMRC's performance framework in an Annual Remit.

HMRC's Board

11. HMRC's Board is not a decision-making body – it provides support and challenge to the Commissioners to help ensure that the department is run to the highest standards of corporate governance. It is chaired by the Lead Non-Executive member, and other members of the Board include HMRC's Non-Executive members, the Permanent Secretaries, and the Chief Finance Officer as the standing members, with other executives attending as the agenda dictates. HMRC's Non-Executive Board members are appointed from outside HMRC and are generally former or current senior business figures who bring in a wide range of expertise and experience.

Executive Committee (ExCom)

12. The Commissioners have in general delegated the business of collection and management of revenue and payment and management of tax credits to an executive committee called ExCom where collective decisions are made. ExCom consists of all the Commissioners plus certain other senior HMRC officials. Operational decisions relating to their own business areas are delegated to individual ExCom members. An ExCom member may seek advice and challenge from fellow members before making a decision. ExCom oversees and assures all of HMRC's work and is responsible for setting and delivering strategy and overseeing performance.

My role as the Chief Executive and First Permanent Secretary

13. As a non-ministerial department, HMRC is headed by a permanent office holder, the Chief Executive and First Permanent Secretary, rather than a Minister. The Chief Executive chairs ExCom and is a member of HMRC's Board. The Chief Executive has responsibility for leading the executive team and holding them to account for the department's performance.
14. The Chief Executive is also HMRC's Principal Accounting Officer with responsibility regarding the accounting for and use of public monies voted to the department by Parliament and is accountable to Parliament for the department's expenditure and performance.

HMRC's organisation

15. HMRC is made up of four core groups supported by corporate services.
16. The four core groups are:
- a. Customer Services – this group helps customers get their tax and benefits right, including handling customer contact through telephone helplines, webchat, and post, and helps those who have built up debt to pay what they owe.
 - b. Customer Compliance – this group manages customer compliance risks to ensure the right tax is paid, including intervening through civil or criminal investigations.
 - c. Customer Strategy and Tax Design – this group leads HMRC's input to the development of policy for the tax and welfare system to support government priorities, underpinned by high quality customer insight and analysis.
 - d. Borders and Trade – this group leads on the development and delivery of customs policy.
17. Corporate services groups consist of the Chief People Officer Group, the Chief Finance Officer Group, the Chief Digital and Information Officer Group, Solicitor's Office and Legal Services, Transformation Group and Communications.
18. As well as the groups described above, our arms lengths bodies are:
- a. The Valuation Office Agency: this an executive agency which gives the government the valuations and property advice needed to support taxation and benefits.
 - b. Revenue and Customs Digital Technology Services Limited (RCDTS Ltd): a non-profit making company wholly controlled by and operated for HMRC, which supplies the department with IT services.
19. I exhibit two documents from GOV.UK. One sets out HMRC's organisational structure and the other sets out more information about HMRC's governance. [JH/1 - INQ000101302] and [JH/2 - INQ000101303]

Policy Partnership with HMT

20. HMT and HMRC work together in a Policy Partnership to advise Treasury Ministers on tax, benefits and customs policy related to HMRC's functions. HMT, supported by HMRC, leads on strategic tax policy and policy development. HMRC, supported by HMT, leads on the provision of analysis, the maintenance of existing tax policy and on policy implementation. The Policy Partnership is explained on GOV.UK [JH/3 - INQ000101304]

Accountabilities

21. As HMRC's Principal Accounting Officer, I am accountable to the Public Accounts Committee for the efficiency and effectiveness of HMRC's use of the public money voted to it. The department's work may also be scrutinised by a variety of other Parliamentary Select Committees, particularly the Treasury Select Committee. HMRC is subject to scrutiny by the National Audit Office.

The Economic Response to the Covid-19 pandemic

22. The Government's economic response to the pandemic included the Coronavirus Job Retention Scheme (CJRS) and the Self Employment Income Support Scheme (SEISS) in addition to other schemes, easements, loans, and policy changes designed to assist individuals and businesses. Benefits, sick pay and support for vulnerable people also formed part of the economic response.
23. In broad terms, HMT had responsibility for advising ministers on the strategic economic and fiscal policy response to Covid-19. In addition to HMRC's existing functions to manage tax and benefits, the Coronavirus Act 2020 gave HMRC temporary additional functions to administer certain elements of the economic response. HMRC policy advisers worked with HMT colleagues under the Policy Partnership outlined in paragraph 20 to advise ministers, and the Department was responsible for the operational delivery of tax and tax credits changes and for the delivery of grants under CJRS, SEISS and the Eat Out to Help Out scheme (EOTHO). I had Accounting Officer responsibility for the expenditure on these grants.
24. It is important to stress that HMRC has no standing statutory function in the general situation of a whole system civil emergency, and specifically a pandemic, to devise and implement economic support to individuals or businesses. The focus of HMRC's business continuity

planning is to ensure it is able to continue to carry out its core functions, chiefly collecting tax, clearing the movement of goods through customs and paying certain welfare benefits.

25. As I have said in my introduction to this statement, prior to 2020, HMRC was not in a position to prepare to deliver the kind of large-scale economic support that it did in the Covid pandemic as it did not have legal powers to do so, nor as far as I know, was it envisaged that HMRC would be tasked with doing so. The temporary powers to do so had to be conferred by the Coronavirus Act 2020.

SECTION ONE: Preparedness for Civil Emergencies

Introduction

26. In order to assist the Inquiry to understand how HMRC was in a position to provide economic support to individuals and business in the event of a whole-system civil emergency and specifically a pandemic, I set out in this part of my statement:

- a. Details of HMRC's involvement in planning by the Civil Contingencies Secretariat of the Cabinet Office and other cross governmental civil contingency planning groups.
- b. How HMRC approached business continuity planning prior to the pandemic and how this planning helped HMRC to provide economic support in the context of the pandemic.
- c. HMRC participation in the 2017 cross-government Flu pandemic planning exercise; and
- d. How HMRC used its EU Exit command structure in its pandemic response.

Involvement with the Civil Contingencies Secretariat and other cross-governmental civil contingency planning groups or forums

27. The Civil Contingencies Secretariat (CCS), created in July 2001, is the executive department of the Cabinet Office responsible for emergency planning in the UK.

28. HMRC Security Directorate leads HMRC's engagement on Cabinet Office and CCS led civil contingency planning.

29. In 2017 the CCS established a cross government group called the Pandemic Flu Readiness Board (PFRB) jointly led by the CCS and the Department of Health to oversee delivery of plans and capabilities to manage the consequences of severe pandemic influenza.

30. HMRC was a member of the PFRB and as part of this work developed the HMRC Flu Pandemic Plan which was tested as part of HMRC business continuity planning in 2017/2018.
31. I have set out fuller details of HMRC's involvement in the PFRB and the development of HMRC's Flu Pandemic Plan below.
32. HMRC is a member of a Department for Work and Pensions led cross-government Business Continuity Forum, the purpose of which is to develop business continuity as a profession, share best practice and support business continuity generally across government.
33. Key to HMRC operating effectively to collect and manage revenue, is the efficient functioning of our banking services.
34. HMRC's Chief Finance Officer Group (CFO) leads HMRC in this area. HMRC's Government Banking Service (GBS) provides a shared banking service across Government and across wider public sector customers and Corporate Treasury Cash Management (CTCM) represent HMRC as a customer of GBS. CTCM manage HMRC's cashflow on a daily basis. Both teams report to HMT multiple times a day.
35. As part of its resilience activity, officers in HMRC's CFO also attend the Public Finance Business Continuity Group (PFBC). This is a cross-government forum of those public bodies with a key role to play in the flow of public funds. HMT is the lead government department for this forum. PFBC members share best practice, develop, and regularly provide assurance on their own business continuity plans.

HMRC Business continuity planning

36. In the context of preparedness for civil emergencies, the responsibility of the Chief Executive is to ensure that HMRC has sufficient contingency plans in place to deal with a variety of scenarios that might otherwise impact on its ability to carry out its tax, customs and benefits functions. Controls and risk management processes are required to ensure that its services continue to run in the face of unpredictable events.
37. Business continuity strategy and policy are the responsibility of HMRC's Chief Security Officer (Director HMRC Security) and HMRC's Executive Committee.

38. HMRC adheres to the principle of Business Continuity as defined in ISO 22301, the international standard for Business Continuity Management.
39. HMRC uses a Departmental Business Impact Assessment (DBIA) model to deliver a consistent approach for identifying and assessing 'end to end' business processes that would have a strategic impact if they were unavailable for up to 30 days.
40. The DBIA model was introduced in 2005 and has been developed and refined since then. It remains the basis for identifying and prioritising critical HMRC processes.
41. The DBIA itself is a list of risk assessment principles against which business areas assess the criticality of their processes. The outcome of the risk assessment identifies and supports prioritisation of HMRC's Business Critical Functions (BCFs). Once identified, business areas use the assessment to establish their own business impact assessments and business continuity plans. HMRC's Critical National Infrastructure assets are included in the BCF list of processes.
42. I exhibit a copy of the DBIA principles prepared in 2015 that were in place prior to 1 January 2020 attached, together with a list of High-Level Business Processes (namely those that must continue in the event of an incident to ensure HMRC can continue to function) [**JH/4 - INQ000101300 and INQ000101301**]
43. The existence of business continuity plans across the department supported HMRC's economic response to the pandemic. The pre-prepared plans set out the flexibility that the department had already identified to switch resources quickly to accommodate the new and urgent priorities. Some reflection had to be done at pace to re-adjust numbers of staff available from different teams, as well as a quick review of critical processes, but the groundwork had been done and had been maintained over the years, which assisted our response.

Pandemic Flu Preparedness

44. On 17 March 2017, HMRC was sent papers by the Cabinet Office in relation to a meeting on 29 March 2017 to discuss a cross-government working group called the Cross-Government Pandemic Flu Readiness Board (PFRB), set up to oversee delivery of planning and capabilities to manage the wider consequences of a severe pandemic of influenza [**JH/5 –**

INQ000101283 INQ000101284 INQ000101285 and INQ000101286].

45. **Name Redacted** an officer in HMRC Security team, led HMRC's engagement with the PFRB. He had been nominated as the pandemic senior point person for HMRC.

46. Terms of Reference for the PFRB published in April 2017 are exhibited [**JH/6 – INQ000101288]**

47. A preliminary meeting of the PFRB was held on 29 March 2017 that agreed a work plan and governance for the PFRB including the fact that it was to be chaired by the Cabinet Office and the Department of Health and would provide oversight for a cross-government work programme, which would deliver the plans and capabilities to manage the wider consequences of pandemic influenza. HMRC attended this meeting and was sent a copy of the minutes, work plan and governance arrangements [**JH/7 - INQ000101287 INQ000101297 and INQ000101288]**.

48. Meetings of the PFRB then took place during 2017 in relation to the main programme of work to ensure readiness for a flu pandemic. I have not exhibited copies of the agendas and minutes of all of these meetings but a chronology of the meetings either attended by HMRC or at which HMRC was not in attendance but received minutes and actions is being set out in a chronology being provided to the Inquiry by way of general disclosure.

49. One of the work streams of the PFRB was for departments to prepare a Flu Pandemic Plan or statement of preparedness.

50. In relation to this, on 7 November 2017, HMRC submitted its pandemic flu comms questionnaire as required in AP4 of the Pandemic Flu Readiness Board meeting on 06 October 2017. The questionnaire was a departmental preparedness survey which asked questions relating to preparedness including whether or not HMRC already had a flu pandemic plan (which HMRC did not) and a statement of HMRC's assessment of the potential impact of pandemic flu on the department. [**JH/8 - INQ000101298]**

51. HMRC prepared its Flu Pandemic Plan between October 2017 and February 2018 and provided its Pandemic Flu Plan to the Cabinet Office by email on 29 March 2018. [**JH/9 - INQ000101291]**.

52. In March 2018, an early version of the pandemic flu plan was used by HMRC Security Team

to produce a business continuity test exercise scenario for HMRC business areas to use as part of their annual test of their business continuity plans in 2017/18. A copy of the test exercise is Exhibited [**JH/10 - INQ000101299**]

53. HMRC Security Team received 111 certificates from business continuity representatives across HMRC confirming use of the scenario. The certificates included a section to identify any follow up action required.
54. HMRC used its Flu Pandemic Plan as the basis for its Covid 19 Pandemic Plan which was created over the period January 2020 to April 2020 [**JH/11 – INQ000101294**]. The Flu Plan provided a ready-made foundation for the Covid-19 Plan as it already contained the most applicable HMRC policy and guidance on Health and Safety and hygiene practices in the event of a pandemic. But further detail was added, and guidance re-emphasised during its development in the post Feb 2020 period to accommodate guidance emerging from central government in the early days of the Pandemic.

How HMRC used the EU exit command structure in its pandemic response

55. One particular area in which HMRC had contingency planning in place was regarding the possibility of a no deal EU exit. In order to prepare for this possibility a “Command Centre” originally known as C3 (Command, Control and Co-ordination) was created 30th January 2019 to provide central co-ordination across HMRC and to gather a shared situational awareness, understanding of issues and a commonly recognised picture of any international supply chain issues that might arise from across HMRC and Government.
56. The Civil Contingencies Secretariat of the Cabinet Office conducted training of the Command Centre on how to operate and manage a crisis. Subsequently, as EU Exit was delayed at the end of 2019, the Command Centre was stood down but was kept on standby in case of EU exit related issues arising at a later date.
57. In March 2020, the Command Centre was set up again to assist in the HMRC immediate response to Covid-19. It was a link to the Civil Contingencies Secretariat, whilst also supporting the internal HMRC Covid 19 Response Unit, set up to make decisions around HMRC delivery of the various Covid 19 support schemes and other economic response measures for which HMRC had responsibility.

58. Whilst the Command Centre had not been devised to respond to a pandemic, the fact the HMRC had set up a such a Centre and received training on how to operate and manage a crisis and kept the centre on standby proved beneficial and enhanced HMRC's ability to respond to the pandemic. In particular, the Command Centre acted as link into central Government and the Civil Contingencies Secretariat structures. The significant investment in formal learning, establishing governance, processes and networks, coupled with recent practical experience (EU exit) meant it was a valuable departmental asset. Retaining key talent and our ability to operate a flexible resource model meant we successfully stood this up this capability at significant pace.

SECTION 2: Preparedness to prevent fraud

59. HMRC is experienced in making payments at scale. HMRC administers outbound payments such as tax repayments, tax credits and child benefit, as well the inbound receipt of tax. HMRC Customer Compliance Group's business-as-usual approach to understanding, identifying, and tackling fraud on the delivery and receipt of payments has been continually developing since before 2009. This experience, particularly on delivery of payments means that HMRC was able to quickly pivot to mitigate the error and fraud risks arising from the Covid 19 economic support schemes.

60. HMRC's standard compliance approach was introduced in 2015/16 [JH/12 – INQ000101281]

- **Prevent:** preventing non-compliance through well designed policies, processes, systems and services. This includes blocking those intent on abusing our systems access upfront.
- **Promote:** promoting good compliance through prompts, better guidance, education, and customer support
- **Respond:** intervening robustly to tackle non-compliance when it happens.

61. HMRC's speed of response was a direct result of the progress the organisation had made in this compliance approach in the preceding years to the pandemic. HMRC's work on prevention and promotion activities are particularly relevant for our preparedness for preventing fraud in the economic support schemes, as described in the paragraphs below.

Prevent

62. HMRC's approach to preventing fraud has been well established and prepares us for unexpected events. The best way to tackle fraud is to stop it happening in the first place (*Prevent*). We do this by building checks and controls into our systems and changing

legislation to make it more difficult or impossible to commit fraud.

63. I appreciate that the Inquiry may be particularly interested in what preparations HMRC did in anticipation of having to provide business and financial support schemes in a pandemic and any planning it did to prevent fraud if HMRC were called upon to deliver business and financial support schemes.

64. As set out in paragraphs 4, 24 and 25 of this statement, prior to the Coronavirus Act 2020 HMRC did not have the legal powers to provide financial and business support schemes in the event of a civil emergency or advance notice that we might be called upon to do so. Parliament had to grant these wholly novel powers to HMRC under the Coronavirus Act 2020.

65. Against the background of HMRC having no legal powers to deliver financial and business support schemes before the coronavirus pandemic, there was no specific planning undertaken by HMRC to anticipate the need to deliver such schemes in the event of a pandemic; nor was there therefore specific planning to anticipate what systems would need to be relied upon to deliver such schemes.

66. HMRC had through its contingency planning, plans in place to ensure it was able to continue with its core tax collecting functions. HMRC's approach to fraud prevention is an integral part of delivering our core statutory functions, the continuation of which was the focus of contingency planning. HMRC experience and contingency planning generally, including in relation to fraud prevention, helped ensure the successful delivery of the Covid 19 schemes, including controls to prevent error and fraud where possible. Whilst the examples I give below are not examples of advance planning that occurred in anticipation of having to provide business and financial support schemes, they demonstrate that HMRC was able to stand up existing fraud prevention experience and planning once it was asked to operate the schemes.

67. HMRC aims for its enforcement and compliance work to be informed and supported by the best available intelligence and risk information. HMRC uses information from a large range of sources to identify risk and target frontline enforcement and compliance activity. This improves compliance outcomes and HMRC efficiency and reduces the burden on compliant customers by focusing HMRC interventions on the non-compliant and those who deliberately try to cheat the system.

68. HMRC has invested significantly in technology and data to improve its understanding of

compliance risks and its ability to identify and tackle non-compliance where it arises and so keep pace with the changing nature of fraud and other non-compliance. HMRC has a considerable analytical toolkit and capability which makes it well-placed to be agile in its response to new and unexpected risks emerging. The new tools and our strong analytical skills have given us the agility to continuously identify new risks and to stand up defences when unexpected economic responses are needed.

69. 'Connect', a data matching and risking technology tool, is HMRC's primary tool used for data-matching and risking for tax compliance activity. This technology was launched in 2010 and links more than 70 HMRC and third-party data sets, obtained in part through our data acquisitions powers, and allows interrogation of over 22 billion records to detect cases of suspected non-compliance for further investigation. [JH/13 – INQ000101282]
70. HMRC has added new sources of data over time to enhance its identification of tax compliance risks including data from financial institutions, Land Registry, Merchant Acquirers (credit and debit card transaction records), Companies House and data on UK residents from overseas tax authorities.
71. HMRC has developed advanced analytical and data science capabilities, enabling HMRC to develop analytical solutions that optimise the exploitation of data involving a variety of specific analytical techniques including customer segmentation and predictive analytics. The combination of analytical tools, advanced analytic capability and wide comprehensive data sources means that HMRC is capable of devising targeted and effective solutions to identify and counter criminal attacks to its systems and other fraud through layers of pre- and post-payment controls and checks.
72. Before making any payments out, HMRC aims to prevent fraudsters accessing our systems and regimes. HMRC does this using the latest technology to actively block those that attempt access to our systems from known fraudulent or suspect sources, including, but not limited to, stopping payments to high-risk Internet Protocol (IP) addresses or where there is evidence that a taxpayer's online account has been hijacked. HMRC also undertakes real-time counter-fraud transaction monitoring that analyses customers' online data, such as the repeat use of IP addresses and device IDs and matches claims against known suspect organisations to identify and prevent fraud.

73. HMRC has a dedicated business function (known as Preventive Risking) that uses highly advanced analytics to identify fraudulent repayment claims and prevent payment being made to organised criminal groups and other fraudsters within the major VAT, Income Tax Self-Assessment and Pay as You Earn regimes. Pre-payment risk-based checks are carried out annually on over 5m repayment claims with a current value of c.£85-90bn. This involves checking virtually all VAT and self-assessment claims before HMRC makes payment, using real-time fraud monitoring and automated analytical risking, driven by layers of risk rules and risk scorecards.
74. Where a claim is identified as high risk, HMRC undertakes further pre-payment compliance checks before a payment is released. Depending on the nature of the suspected fraud, this can involve using the full range of powers and techniques available to HMRC to establish the bona fides of the claimant and the veracity of their claim. Where appropriate, criminal powers may be used to target and disrupt fraud. Since 2021, these risk-based pre- and post-payment controls have successfully prevented losses of more than £4.5bn.
75. Post-payment risking is designed to complement our pre-payment compliance response. Techniques utilised to identify fraud are drawn from established processes deployed across HMRC. The use of bulk intelligence sources in conjunction with third party information and HMRC data in Connect are used to identify fraudulent business, claims or returns, risk modelling enables us to target the highest risk cases.
76. This well-established approach and capability enabled HMRC to respond rapidly to put in place similar pre-payment and post-payment controls for the Covid-19 schemes. Pre-payment checks prevented over £425 million of fraud connected to the Covid-19 schemes for which HMRC was responsible.
77. For example, for CJRS HMRC cross-referenced data from our Real Time Information PAYE system (RTI) with bank account data to assess eligibility and veracity of claims. For SEISS, HMRC only allowed the claimant themselves to make a claim, via the claimant's Government Gateway account, in order to verify identity. Claimants had to provide bank account details, and HMRC would only allow a set number of payments into each account.
78. HMRC has also developed its capabilities in upstream compliance which includes behavioural nudges to influence compliance. An example of this is the VAT Upfront Honesty

Declaration, which successfully encouraged taxpayers to complete their VAT return correctly. As a result of demonstrated success of Upfront Honesty Declarations in the tax system, HMRC put honesty checks to nudge claimants to carefully consider their choices when claiming CJRS. **[JH/14 – INQ000101293]**

79. Parliament routinely changes legislation to make it more difficult to commit fraud. For example, through introducing a VAT 'Reverse Charge' for customers seeking to purchase Renewable Energy Certificates, we effectively prevented the loss of hundreds of millions of pounds through Missing Trader Intra Community fraud. Another example of changing legislation to make it more difficult to commit fraud is The Delivery of Tax Information through Software (Ancillary Metadata) Regulations 2019. These regulations allowed HMRC to define a set of metadata ("relevant ancillary metadata") which we considered necessary to receive to ensure the authenticity and security of deliveries of tax information through third-party software providers. Receiving information from third-party software providers is now standard in programmes such as Making Tax Digital for VAT. In requesting this metadata in transmissions, it helps protect our customers' confidential data from criminals and fraudsters. HMRC also uses the data to support prosecutions for fraud. **[JH/15 – INQ000101296]** and **[JH/16 - INQ000101305]**

80. The legislation for the Covid-19 support schemes for which HMRC was responsible included eligibility checks which were designed to make it difficult to commit fraud. As such, compliance was designed into the legislation. This included the requirement for the CJRS claimant to be a UK employer, specified cut-off dates for eligibility, and requiring National Insurance numbers to be provided for employees who were the subject of claims. These mandated eligibility criteria made it harder to 'invent' employees and enabled further checks to be undertaken. HMRC also did automated checks to ensure valid PAYE scheme references and UK bank account numbers had been used and that the claim amounts per employee did not exceed the permitted maximum under the scheme.

Promote

81. Promoting compliance through campaigns has been well established since 2013/14, so HMRC can target large populations of high-risk customers to encourage compliance. In 2021/22, HMRC contacted nearly 400,000 customers through our one-to-many programmes to either bring them into compliance or to prevent them falling out of compliance.

82. One-to-many campaigns have been a pillar of HMRC's compliance promotion activity in recent years; an approach we used for CJRS. In the case of CJRS, there was a very heavy communication programme with employers. In the first phase of the scheme, employees had to be fully furloughed; in later phases, employers were allowed to claim for people who were only partly furloughed. HMRC continually updated the guidance and communicated with employers to ensure that they were aware of the scheme rules.
83. HMRC also work with businesses to help them spot when they are at risk of being involved in a fraud. This includes our work with businesses involved in risky supply chains, providing guidance and support to ensure they are helping drive up compliance among the businesses in their supply chain that they work with. For large businesses, HMRC assigns a senior professional called a Customer Compliance Manager (CCM). The primary role of a CCM is to make sure large businesses pay the correct amount of tax at the right time. **[JH/17 – INQ000101295]**

SECTION 3: General reflections in respect of HMRC's readiness to provide economic support as a result of the Covid-19 pandemic

84. As I have set out above, HMRC did not have the legal powers or functions to deliver the significant economic support schemes prior to the pandemic nor, as far as I am aware was it envisaged that it would be tasked with doing so. Our business continuity planning was based on our existing functions at the time and our ability to exercise those in the event of a pandemic.
85. HMRC was however able to step up and address huge new challenges that mattered to the whole of the UK and delivered the urgent support our customers needed quickly and effectively when the covid pandemic occurred.
86. CJRS, SEISS and EOTH0 were unprecedented interventions in both the modern UK labour market and the country's economic environment. The schemes fundamentally aimed to protect jobs, businesses and prevent widespread unemployment. HMRC played a vital role in the government's economic response to the COVID-19 pandemic, protecting millions of jobs and supporting customers during unprecedented circumstances. At the same time, HMRC was supporting the UK's transition from the EU, while keeping core tax administration services running.

STATEMENT OF TRUTH

I believe that the facts stated in this witness statement are true. I understand that proceedings may be brought against anyone who makes, or causes to be made, a false statement in a document verified by a statement of truth without an honest belief of its truth.

Personal Data

Signed: _____

Dated: _____ Thursday 23rd February 2023 _____