appg Gaps in Support

The APPG Pre-Budget Report: Filling the Gaps in Support

Gaps in Support APPG

26 February 2021

This Gaps in Support APPG proposal was researched and drafted by the APPG Secretariat.

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About

The APPG exists to find solutions for those who have been excluded from Government Support Schemes during the Coronavirus pandemic. Gaps in Support is the largest APPG in history, its membership includes 262 MPs from across the House.

Chair: Jamie Stone MP (Liberal Democrats)

Co-Chairs: Alison Thewliss (SNP), Sir Jeffery Donaldson (DUP), Tracy Brabin (Labour, Co-Op), Esther McVey (Conservative), Caroline Lucas (Green Party), William Wragg (Conservative) Treasurer: Virendra Sharma (Labour) Secretary: Stephen Farry (Alliance)

The Gaps in Support All Party Parliamentary Group launched an inquiry into how people across the United Kingdom have been affected by the UK Government's Coronavirus Support Schemes.

The APPG gathered evidence to understand how people may have fallen through the gaps in support, receiving almost 2,000 submissions from members of the public, gathering insight and evidence from organisations representing those groups who have fallen through the gaps and taking oral and written evidence from a range of stakeholders.

This report summarises the APPG's evidence, findings and recommendations.

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Foreword

The Coronavirus Job Retention Scheme (CJRS, commonly known as the Furlough Scheme) and the Self-Employment Income Support Scheme (SEISS) have provided support for millions of employees and the self-employed. However, many individuals and businesses have fallen through the gaps in support and faced nearly a year of financial hardship. This hardship has contributed to the mental health crisis unfolding across the nation.

Small businesses, sole traders and entrepreneurs should be the driving force of the UK's economic recovery in the months and years ahead. If we do not support them now, we will all feel the consequences. Without targeted support, jobs will be cut, hard-earned savings will run dry and livelihoods will be lost. It will cost the Government much more to deal with this issue further down the line than if reasonable support were provided now. Without these individuals and businesses, the UK cannot 'build back better'. Their hard work and innovation will create jobs, widen opportunities and provide a way out of the COVID-19 crisis.

The Gaps in Support All Party Parliamentary Group is the largest APPG in history. Our membership of MPs and Peers covers all political parties and parts of the UK. This fact reflects the scale of the injustices the APPG exists to address.

Hard-working people from all backgrounds and professions have been impacted. There is little that unites those who have been excluded, apart from the injustice they have faced. This is why it is so challenging to find a one-size-fits-all solution. It is inevitable that the APPG will recommend a patchwork of solutions and that some solutions may progress more quickly than others. Yet, together, the excluded groups and the APPG have made meaningful strides towards economic justice.

The APPG has heard evidence from a wide range of experts, industry leaders and campaign groups to produce this report. Since its inception, the APPG has received tens of thousands of submissions from impacted individuals, alongside conducting evidence sessions with affected groups, trade unions, industry representatives, and employment and tax specialists. It is from this holistic evidence that our recommendations are drawn. The Targeted Income Grant Scheme (TIGS), which can be administered simply with minimal risk of fraud as a flat-rate taxable grant, should be considered as a priority by the Government. This scheme offers immediate relief for five taxpaying groups: the newly self-employed, directors of limited companies, PAYE freelancers, and those excluded from SEISS by the 50% Rule and the £50,000 cap.

This grant does not represent parity with what other taxpayers have rightfully received. Rather, it is a much needed lifeline for the majority of those excluded. For the groups not covered by TIGS, including pregnant women and new parents excluded from support, those denied furlough by their employer and the newly employed, parallel action must also be taken by the Treasury to rectify the gaps in support. The APPG also urges the Government to consider any and all proposals that provide support for those denied furlough by their employer, via an HMRC service that can easily be automated, is fraud-resistant and not too labour intensive.

With regards to support for limited company directors, the Government must provide urgent clarifications as to why the Directors Income Support Scheme presented to the Treasury in November 2020 cannot be implemented and work towards solving these problems if and when they arise.

Ultimately, the APPG aims for complete parity for those who have fallen through the gaps in support, ideally through fully backdated grants. We have provided some frameworks and solutions to achieve this parity. It is now up to the Treasury to decide the depth and longevity of support.

The APPG will continue to work with the Treasury to find more comprehensive solutions for all those who have fallen through the gaps in support. We aim to ensure that lessons are learned from the UK's handling of the Coronavirus-induced economic crisis, and to find solutions for individuals and businesses who have been excluded from the Government's financial support during this episode.

I urgently call on the Chancellor to take this group's recommendations into consideration ahead of the 2021 Budget.

Jamie Stone MP
Chair, Gaps in Support APPG

Executive Summary

The Government has implemented various financial support schemes and measures in response to the economic impact of the coronavirus pandemic, which are outlined in Part 1 of this report. The report focuses primarily on the gaps in the Self-Employment Income Support Scheme (SEISS) and the Coronavirus Job Retention Scheme (CJRS), otherwise known as furlough. The APPG, in conjunction with campaign groups, trade unions, tax specialists and other experts, has identified cohorts of taxpayers who have fallen through gaps in these financial support schemes for a wide variety of reasons. Part 2 of the report outlines reasons for each cohort's exclusion, and the APPG's key recommendations for fixing these gaps in support.

The newly self-employed have not received adequate support as they do not have a three-year record of trading profits. The APPG recommends this cohort is either included in the fourth round of SEISS grants, or receives an initial Targeted Income Grant Scheme (TIGS) payment. For those who started employment too late to be included in furlough, or who were denied furlough by their employer, the APPG recommends the Government looks urgently into providing a fraud-resistant and easily automated service allowing workers to make a claim directly to HMRC for the total amount of furlough and/or total income owed to them.

PAYE freelancers have been denied access to furlough by their employers, have missed the CJRS cut-off date, or have been excluded from the SEISS due to the 50% Rule (which means that if less than half of your earnings are from self-employment, you do not qualify for any assistance). The APPG recommends this cohort is either included in the fourth round of SEISS grants, or is awarded an initial TIGS grant, and calls for an urgent Government investigation into the employment rights and status of PAYE freelancers.

Limited company directors pay themselves company dividends topped up by a small PAYE salary, and subsequently CJRS provides inadequate support. They are also denied access to the SEISS. For this group, the APPG recommends the Government adopts the Directors Income Support Scheme, although the TIGS is recommended as an alternative. Those taking parental leave from self-employed work have not been adequately supported through SEISS calculations, while pregnant women, classed as clinically vulnerable, have in some cases been denied access to furlough. The APPG is calling on the Government to adopt a series of measures to support new parents, including a policy adjustment to SEISS calculations and backdated redress of maternity suspension in the CJRS. Two criteria of SEISS – that trading income must be at least 50% from self-employed work, and trading profits must be less than £50,000 in the 2018-19 financial year – have excluded taxpayers unfairly. The APPG recommends these criteria be adjusted or removed, and these taxpayers are included in the fourth round of the SEISS grants, or initial TIGS grant.

Part 3 of the report elucidates in further detail the policies recommended to the Treasury by the APPG, in conjunction with campaign groups, experts and members of the APPG. The TIGS, drafted by Rebecca Seeley Harris, would provide an urgent stop-gap for the newly self-employed, those excluded by the SEISS cap and 50% Rule, Ltd company directors, PAYE freelancers and those with more than £50,000 in trading profits excluded by SEISS. The Directors Income Support Scheme would provide much needed support for limited company directors. The APPG, in conjunction with maternity rights groups, has also put forward a series of policy adjustments and policies on behalf of new parents and pregnant women.

PART 1: CONTEXT

The Government has launched various support schemes and grants to help businesses and individuals through COVID restrictions. Existing financial schemes have also been relied upon during the pandemic.

1.1 Coronavirus Support Schemes

Coronavirus Job Retention Scheme (CJRS)

Also known as furlough, this scheme provides grants to employers to pay 80% of a staff wage and employment costs each month, up to a total of £2,500 per person per month. These grants were lowered to 70%, then 60% over the summer, but were restored to 80% when the second nationwide lockdown was announced. The scheme has been extended to 2021 for the third national lockdown.

Self Employment Income Support Scheme (SEISS)

The scheme pays a grant worth 80% of self-employed profits up to £2,500 each month, to self-employed taxpayers whose trading profit was less than £50,000 in the 2018-19 financial year, or an average of less than £50,000 over the last three financial tax years, for those who suffered a loss of income. Trading profits must also exceed or be equal to non-trading income over this period (known as the 50% or 50/50 Rule).

1.2 Business Loans and Grants

Below is a non-exhaustive list of financial support schemes the Government presently offers to employers. While the CJRS and SEISS remain the focus of the APPG's recommendations, limited access to these grants has been evidenced in the APPG's findings.

Coronavirus Business Interruption Loan Scheme (CBILS)

The scheme helps small and medium-sized businesses to access loans and other kinds of finance up to £5million. The Government guarantees 80% of the finance to the lender and pays interest and any fees for the first 12 months.

The scheme is open to applications until 31 March 2021.[1]

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[1] Government Guidance, Apply for the Coronavirus Business Interruption Loan Scheme, 31 January 2021.

Bounce Back Loan Scheme (BBLS)

The scheme helps small and medium-sized businesses to borrow between £2,000, up to 25% of their turnover. The maximum loan available is £50,000.

The Government guarantees 100% of the loan and there will not be any fees or interest to pay for the first 12 months. After 12 months the interest rate will be 2.5% a year.

The scheme is open to applications until 31 March 2021.[2]

Local Restrictions Support Grant (LRSG)

This grant is designed to assist businesses which were impacted by local lockdowns or in areas experiencing Tier 3 (Very High) restrictions. A business is eligible for a Local Restrictions Support Grant if it[3]:

- Occupies property on which it pays business rates (and is the ratepayer)
- Is in an area of local restrictions and has been required to close because of local restrictions that resulted in a first full day of closure on or after 9 September
- Has been required to close for at least 14 days because of the restrictions
- Has been unable to provide its usual in-person customer service from its premises
- Has not had to close but has been impacted by local restrictions

1.3 Universal Credit

Universal Credit replaced and combined six benefits for working-age people who have a low household income. You are eligible for Universal Credit if[4]:

- You are on a low income or out of work
- You are 18 or over (there are some exceptions if you are 16 or 17)
- You are under State Pension age (or your partner is)
- You and your partner have £16,000 or less in savings between you

Universal Credit was boosted by £20 in recognition of the pandemic, in April 2020. The Chancellor has agreed to extend this until April 2021.

[2] Government Guidance, Apply for a coronavirus Bounce Back Loan, 31 January 2021.
[3] Government Guidance, Check if you're eligible for the coronavirus Local Restrictions Support Grant (for closed businesses) Check if you're eligible for the coronavirus Local Restrictions Support Grant (for open businesses), 31 January 2021.
[4] Government Guidance, Universal Credit.

PART 2: GAPS IN SUPPORT COHORTS

The APPG has identified several cohorts of taxpayers who have been excluded from Government financial support**.** Some cohorts have been excluded from CJRS, such as the newly employed. Others have been excluded from SEISS, such as the newly self-employed. Some have 'fallen between' the two schemes, as in the case of Ltd company directors and PAYE freelancers.

Some cohorts have been excluded through a single criterion: for example, all the newly-employed cohort missed the CJRS cut-off date for employment. Other cohorts, such as PAYE freelancers, have been excluded through a variety of criteria: some fall foul of the 50% Rule, some missed the CJRS cut-off date, while others have been denied CJRS support by their employer.

The APPG has identified various cohorts. They are listed with the above proviso that cohorts are not always discrete, and many share characteristics or members with other cohorts.

The APPG has worked with campaign groups, as well as tax and employment experts such as Rebecca Seeley Harris, MPs and other stakeholders to formulate its recommendations.[5]

2.1 Newly Self-Employed

The newly self-employed have missed out on Government support due to entering self-employment between April 5th 2019 and the launch of the scheme in March 2020. Those who became self-employed after April 5th 2019 do not have the three years of tax returns required to prove their income, and therefore do not qualify for SEISS.[6]

About 3% of self-employed people (151,000) have been self-employed since the end of the tax year ending 2019, meaning they are not eligible for the Self Employment Income Support Scheme (SEISS).[7] ONS data covers January to December 2019, so these estimates will not include people who have become self-employed since the start of 2020, and might under-report the extent of newly self-employed people.

The newly self-employed have missed out on Government support due to entering self-employment between April 5th 2019 and the launch of the scheme in March 2020.

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[5] The APPG has consulted with the following campaign groups: ForgottenPAYE, Annual PAYE, Excluded UK, Maternity Action, Parenthood Matters, ForgottenLtd., Pregnant then Screwed, New Starter Justice, Denied Furlough. Recommendations and information have been drawn from ExcludedUK's Pre-Budget Briefings, published 22 February 2021.

[6] The Coronavirus Act 2020 Functions of Her Majesty's Revenue and Customs (Self-Employment Income Support Scheme) Direction.

[7] ONS, Coronavirus and self-employment in the UK, April 2020 CSE UK 2020.

By January 31st 2021, those who were newly self-employed for the tax year 2019-20, should have submitted their first self-assessment. Although this will be for only one year's trading, it does give HMRC some valid data in order to provide support without there being an inherent risk of fraud. This approach is not too labour-intensive because the evidence is in the self-assessment which HMRC already has in its systems.

APPG Recommendation

The 2019-20 self-assessment income tax returns provide the Government with additional data needed to support this cohort. The APPG therefore strongly urges the Treasury and HMRC to use this new tax return information to support this group, either with the fourth SEISS grant or through the provision of a TIGS grant.

The APPG calls on the government to take 2019-2020 tax returns into account for the prospective SEISS grants and consider using this information to provide support for previous tranches of SEISS which would be validated via the 2019-2020 tax returns.

2.2 PAYE Freelancers

A PAYE freelancer is someone who identifies as self-employed for tax, but is paid on payroll for some or all of their work. They are typically employed on very short-term contracts. Some carry out self-employed work separately. This type of employment is often associated with construction and the creative industries.

PAYE freelancers' mixed employment status means they have fallen in between the CJRS and SEISS. They are particularly vulnerable to gaps in support, such as 'cliff-edge caps', cut-off dates and employer mistreatment. The reasons for their exclusion are shared with people who are not PAYE freelancers. For example, many PAYE freelancers are excluded from SEISS by the 50% Rule, as are some 'traditionally' self-employed people. Below are three main ways in which this cohort is excluded:

1. Refused furlough [excluded from CJRS]: If a freelancer's income is entirely from PAYE, they are not eligible for SEISS. As they are not employees, employers were under no obligation to furlough PAYE freelancers. Therefore, some could not claim support through the CJRS. It is likely that the grouping of those denied furlough is covered, at least in part, by the PAYE freelancers group.

2. Cut-off date [excluded from CJRS]: The brevity of typical PAYE freelance contracts meant many missed the HMRC's RTI (Real Time Information) cut-off date for CJRS. Those not on the payroll, in error or otherwise, from March 19th 2020, could not be placed on furlough. This is the same mechanism by which ‘new-starters’ and Ltd company directors who file PAYE tax annually have been excluded.

3. 50% Rule [excluded from SEISS]: Freelancers whose PAYE work made up more than 50% of their total income are not eligible for SEISS. The 50% ‘cliff-edge’ Rule excludes others beyond PAYE freelancers.

On Feb 2nd 2021, the APPG took evidence from unions representing the creative industries. Bectu head Philippa Childs said that PAYE freelancers are often hired on short-term contracts by special purpose vehicles during film and TV production. As a result, many were not recorded by RTI for the relevant dates HMRC had stated in its guidance, and therefore could not access CJRS. PAYE freelancers have fewer employment rights than traditional PAYE employees, despite paying PAYE tax.

Louise McMullan, Deputy for the General Secretary at Equity, submitted evidence from a survey of Equity members conducted in January 2021, many of whom are PAYE freelancers. More than 40% of Equity members have not received help from the SEISS, while 58% of those who did receive help from the SEISS said it was not enough to meet their needs. For this reason, Ms McMullen offered Equity’s support for the TIGS plan for PAYE Freelancers (see 3.1).

APPG Recommendation

As an urgent stop-gap, the APPG calls on the Government to elect PAYE freelancers to the fourth SEISS grant, or implement a grant scheme similar to the proposed Targeted Income Grant Scheme.[8][9]

The APPG recognises that a longer-term solution is needed for this group. The APPG therefore urges the Government to seek a holistic solution for this group through a centralised system of support, which ensures PAYE freelancers who have been unable to access financial support have a mechanism to apply for a grant via HMRC’s portal. PAYE freelancers’ tax records have always been readily available to HMRC because they have gone through payroll, so a solution of this nature is possible if there is the will to support this group.

Ideally, the Treasury would provide an equal total amount of backdated support for excluded PAYE freelancers as those taxpayers included in the CJRS and SEISS since the beginning of the pandemic.

The pandemic has exposed the extreme vulnerability of this taxpayer cohort. Going forwards, we call on the Government to conduct an urgent review into the rights and

[8] This does not have to be a one-off grant and can be backdated to achieve parity of support.
[9] New entrants in this group would also benefit from the widening of the fourth SEISS grant to include new starters with a 2019/20 tax return.

status of PAYE freelancers who have been left particularly vulnerable to lack of support due to the ambiguity of their employment status.[10]

CASE STUDY

> "I now am not entitled to anything, despite paying taxes for more than 20 years. I have used up every penny of my savings and I am reliant on my husband to try to cover everything.
>
> "I would always prefer to be a normal freelancer who is not taxed at source, but more and more in the TV industry this is not possible. I still submit a yearly tax return and have accounts since 2009, should the Government need proof of my earnings.
>
> "How we are being ignored is soul destroying and very stressful."[11]

2.3 Limited Company Directors

Limited company directors are not self-employed. However, the CJRS provides entirely inadequate support.

Limited company directors often pay themselves via a small 'basic' salary through PAYE and top this up with dividends from their company as and when profits allow. Ltd company directors are able to furlough themselves, and claim 80% of the PAYE portion of their salary through CJRS. However, in most cases this does not cover their housing and living costs. In addition, and critically for this group, limited company directors can no longer continue to operate their business under CJRS rules, which is not the case for self-employed business owners on the SEISS.

Certain directors who file their PAYE annually cannot claim CJRS at all, cutting them off from the small amount of support that was available to them.

APPG Recommendation

The Gaps in Support APPG is calling on the Government to provide urgent support for Ltd company directors. The APPG's preferred recommendation is for the Government to adopt the Directors Income Support Scheme. The APPG also put forward an alternative suggestion on January 19th, urging the Government to roll out an initial TIGS grant for this group if the DISS scheme is not implemented swiftly. The Treasury

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[10] This is in line with demands from the Community and Prospect organisations in the Final Report, February 2021.

[11] This case study was provided to the APPG by the campaign group ForgottenPAYE.

has expressed concerns regarding the fraud risk inherent in the proposed DISS scheme. We therefore ask the Government to issue a number of urgent clarifications:

- ***Given the proposed DISS does not incorporate a need for dividends to be taken into account, the APPG asks the Treasury to set out the reasons for requiring Ltd company directors to follow a different self-certification method to access income support, to that in use for all other aspects of the tax system, including accessing the Self Employment Income Support Scheme, making a tax return and collecting VAT on behalf of HMRC.***

- ***The APPG asks the Treasury, with reference to proposals for a Directors Income Support Scheme, to provide details of the Government's preferred method of certification to allow micro directors to make eligible claims.***

- ***The APPG asks the Treasury to set out the reasons why accountants are permitted to submit a statement to HMRC as a trusted, independent summary of the income of all other businesses, but such statements by accountants are uniquely not an acceptable, trusted, independent summary of income in relation to micro Ltd companies.***

- ***The APPG asks the Treasury to provide an assessment of the merits of not requiring dividends to be taken into account when calculating levels of COVID-19 income support for directors of small Ltd companies.***

CASE STUDY

The director of a training company, established 21 years ago as a td company in order to be awarded Government contracts, has been without support since the beginning of the pandemic:

"The one director couldn't use the furlough scheme as her accountant processed PAYE annually on the 25th March (and has done for the past 20 years). She sold a car to help pay the bills. This then made her exempt from Universal Credit. She banks at Handelsbanken, which does not do the Bounce Back loan scheme, and other banks have closed applications."[12]

2.4 Maternity, Parental and Adoption Rights

[12] This case study was provided to the APPG by the campaign group ForgottenPAYE.

There are many pregnant mothers and new parents who have fallen through gaps in the schemes and have gone without meaningful support through no fault of their own – through being pregnant, being on maternity or adoption leave at the wrong time, or through having early-years children.

The Gaps in Support APPG gathered evidence from maternity rights campaigner Bethany Power, Maternity Action, Pregnant Then Screwed and ExcludedUK, along with evidence from the Petitions Committee in its research report 'Maternity Petition Covid-19' dated 06/07/2020 and debated 06/10/2020, which attracted more than 238,000 signatures, alongside a significant amount of other research, case studies and petitions relating to these inquiries.

The APPG has put together proposals[13] to rectify the gaps in support for this category (Maternity, Parental and Adoption Rights; Covid-19) among others.

These proposals are fair and straightforward solutions to amend and fix the gaps in support for affected pregnant mothers and new parents, whilst mitigating risks of fraud. We hope changes are implemented urgently to finally offer support to this group of taxpayers who have thus far faced discrimination with respect to the Government COVID-19 support schemes.

APPG Recommendation

On Coronavirus Job Retention Scheme (CJRS)

1. ***Adapt the CJRS scheme to protect pregnant women in the workforce by enabling employers to recover 100 per cent of the cost of a maternity suspension (under health and safety law) of a woman who is 28 weeks pregnant or beyond (or who is pregnant and extremely clinically vulnerable or otherwise medically advised to shield).[14] We also call on the Government to provide further messaging and awareness in relation to the existing provision in law for maternity suspension.***

2. ***Amend the latest CJRS scheme guidance to address the fact that the employer of a woman who was on maternity leave, and on Maternity Allowance rather than Statutory Maternity Pay, throughout the period March 20th to October 30th 2020, will not have submitted a PAYE Real Time Information (RTI) submission, as is required by the guidance relating to the extension of the scheme from 1 November.***

[13] These proposals were drafted by APPG co-chair Alison Thewliss MP, Maternity Action, Pregnant Then Screwed, ExcludedUK and maternity rights campaigner Bethany Power

[14] Pregnant Then Screwed is calling for this recommendation to be expanded to include women of all gestations until more evidence on the impact of COVID-19 on pregnancy is available.

3. ***The Government should look into providing a system of backdated CJRS payments to new mothers and parents who have been denied furlough by their employers due to insufficient Government guidance.***

On Self Employed Income Support Scheme (SEISS)

4. ***Amend the SEISS scheme to disregard periods of maternity, parental or adoption leave during the three-year profits calculation period. The Pregnant Then Screwed group brought a judicial review against the Chancellor for indirect sex discrimination but the challenge was dismissed. It is yet unclear whether it will appeal the judgment. Maternity Action first raised this issue with Treasury ministers in April 2020.***

5. ***Backdate SEISS payments to mothers and parents who have been denied SEISS support, or where this support has been limited as a consequence of being in a period of maternity, parental or adoption leave, whereby calculations for the purposes of SEISS do not accurately reflect pre-Covid income.***

6. ***Pregnant women and new parents who are Ltd company directors have also been disproportionately affected by lack of support. Extending SEISS to Ltd company directors without the hard eligibility criteria that have excluded so many, or implementing Directors Income Support Scheme (DISS) or Targeted Income Grant Scheme (TIGS), would benefit new parents in this situation.***

7. ***Consider support for childminders who are unable to access SEISS. Many of these are migrant workers for whom there is no recourse to public funds.***

The APPG also calls on the Treasury to address the following issues:

8. ***Implementing temporary right to shared furlough. The Trades Union Congress (TUC) is calling for this.***

9. ***Extending NHS Exemption Certificates by another 12 months, helping mothers who have been denied postpartum NHS dental care.***

10. ***Reinstating funding which the Government withdrew in January 2021 and continuing to fund nurseries at pre-pandemic registration levels, in order to prevent more closures.***

11. ***Supporting women who have taken unpaid leave due to health and safety concerns or because of home schooling and caring responsibilities, and are seeing their qualification for statutory maternity pay and allowance impacted.***

2.5 People Denied Furlough

Some employers denied eligible people furlough for illegal, discriminatory or unjustified reasons; for example, if they were shielding or were zero-hours contract workers.

There is overlap with other identified cohorts. For example, pregnant women have reported being denied furlough or being pressured into taking unpaid leave or Statutory Sick Pay due to their clinically vulnerable status. Working parents have, in cases, been forced by their employer to take unpaid leave to care for their children. PAYE freelancers have regularly been denied furlough due to the brevity of their contracts and their non-employee status.

The denied furlough cohort shares characteristics with ‘new starters’, whose employers could not furlough them due to inadequate RTI submissions. Speaking at a Gaps in Support APPG oral evidence session, Torrin Wilkins, Director of the Centre Think Tank, said: “There are two main categories of people who have been denied furlough: people whose employer could not furlough them, and those who have been laid off.”

A key issue in the administration of the CJRS is that the employee can access support only through an employer. At the APPG oral evidence session, Mr Wilkins said: “The biggest issue for those who’ve been denied furlough is that, to get on to the furlough system, you must apply through an employer.” At the same session, Rachel Flower from Excluded UK reiterated that this was the system’s “fatal flaw”.

Many in this cohort have turned to existing governmental support, particularly Universal Credit. However, this has often proved inadequate. Those who left employment for childcare or health reasons are deemed as leaving employment voluntarily and face a 12-week wait for Universal Credit. Those who did not receive a P45 form from their employer have struggled to access Universal Credit. Those with savings, or partners in work, have had limited access to Universal Credit. In a live evidence session on February 23rd 2021, Nicola Cromwell, from the Denied Furlough group, told the APPG that the Universal Credit programme is “not fit for purpose”.

APPG Recommendation

We urge the Government to urgently look into providing a fraud-resistant and easily automated service to allow workers who are eligible, but unable to claim support, to make a claim directly to HMRC for the total amount of furlough and/or total income owed to them.

The APPG recommends both adjusting the policy of the CJRS to allow employees to access the scheme directly without requiring an employer. The APPG calls for backdated financial support, equal to the amount the cohort would have been entitled to if they had been granted furlough by their employer. We encourage the Government to investigate any and all policy proposals which would provide this cohort parity of support.[15]

The APPG is also calling on the Government to work with various Government departments such as the Department for Business, Energy and Industrial Strategy, to improve guidance for employers about furloughing employees, to avoid misapplication of the scheme.

2.6 Business Owners With More Than £50,000 In Trading Profits

In order to be eligible for SEISS, trading profits must be £50,000 or less per annum, but more than nil.

It could be argued that this group should not need financial support but, due to the cliff edge, someone with profits of £50,000 can receive significant support, whereas someone with £50,001 receives nothing.

There is also an inconsistency with the Coronavirus Job Retention Scheme, which has no such cap.[16] A high-income employee can be furloughed and receive £2,500 per month, or £7,500 per quarter, whilst the equivalent self-employed person receives no support.

Contrary to the Government's assumptions, many in this cohort cannot survive without financial support.

[15]An example of a policy proposal the APPG calls on the Government to consider is the recent draft white paper by the Centre Think Tank, which outlines how employees could apply directly for CJRS, rather than needing the employer to apply, and allowing this cohort, and others, to access backdated CJRS financial support. Torrin Wilkins, 'Expanding Furlough: Including more people in SEISS and CJRS' 21 January 2021.

[16] Government Guidance, Claim for wages through the Coronavirus Job Retention Scheme, 20 April 2020.

APPG Recommendation

The Gaps in Support APPG is calling on the Government to tackle this cliff-edge by removing the £50,000 ceiling on SEISS completely so that it is in line with the CJRS policy and is irrespective of level of profits. This group should either be elected to the fourth SEISS grant or provided with a TIGS grant of £7,500.

CASE STUDY

> "A photographer earning just over £50,000, with two adopted children, cannot work due to homeschooling, and is now resorting to using a food bank and borrowing clothes from friends for his children."[17]

2.7 Taxpayers Excluded By The 50% Rule

To be eligible for SEISS, one of the conditions is that your trading profits from self- employment must be equal to or more than your non-trading income. This excludes those who rely mainly on another source of income such as a pension, but do a small amount of self-employed work to make ends meet.

This is the amount recorded as "total income received" on the tax calculation, less trading income. HMRC works out the non-trading income by adding together all your:

- Income from earnings
- Property income
- Dividends
- Savings income
- Pension income
- Overseas income
- Miscellaneous income including taxable, for example:
    - o Social security income
    - o Bereavement Allowance or Carer's Allowance
    - o Redundancy Payments

However, Maternity Allowance does not impact eligibility for SEISS.

[17] This case study was provided to the APPG by the campaign group ExcludedUK.

According to the Institute for Fiscal Studies (IFS)[18], more than half of the 50% Rule group[19] have a personal income below £25,000 per year. Therefore, extending SEISS to include this group would target many people on low and moderate incomes. Under the Targeted Income Grant Scheme (TIGS), it is recommended that eligibility should be extended where both trading profits and non-trading earnings are combined to a total income of less than £50,000.

Around 45% of the ineligible group are made up of women who have a combined income. This is compared with only 35% of women who have more than 50% of their income from self-employment. The profits per year for half the group are in the region of £5,000 per year, so extending SEISS to this group would also mean the average payments would be quite low.

The official statistics for SEISS for January 2021 state that 86%, or 1.4million people, are ineligible for SEISS because of the 50% Rule.[20]

A report from the House of Commons Treasury Committee, published on February 15th 2021, calls on the Government to reconsider the 50% Rule.

The report cites Richard Wild, Head of Tax Technical Team, Chartered Institute of Taxation (CIOT), who notes those combining their pension payment with a small amount of self-employed work are excluded, which seems “particularly unfair”.[21]

The report echoes the APPG’s concerns that many excluded by this rule would not have recourse to CJRS, and this eligibility criterion should be reconsidered. The report also notes these issues were raised in a previous report.

A Briefing Note by the Institute for Fiscal Studies (IFS) was raised by this report, which showed members of this excluded cohort were often low-income, and a higher proportion of them were women compared with others who were included by SEISS.[22]

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[18] Jonathan Cribb, Isaac Delestre and Paul Johnson, Who is excluded from the government’s Self Employment Income Support Scheme and what could the government do about it?, Institute of Fiscal Studies Briefing Note 316, 27 January 2021.
[19] The 50/50 rule states that where an individual has trading profits less than non-trading profits (for example, income from employment or investment income), they are ineligible for SEISS.
[20] Official Statistics - Self-Employment Income Support Scheme statistics: January 2021 - Published 28 January 2021
[21] House of Commons Treasury Select Committee, Economic impact of coronavirus: gaps in support and economic analysis, 15 February, 2021.
[22] Jonathan Cribb, Isaac Delestre and Paul Johnson, Who is excluded from the government’s Self Employment Income Support Scheme and what could the government do about it?, Institute of Fiscal Studies Briefing Note 316, 27 January 2021.

APPG Recommendation

As an urgent stop-gap, the Gaps in Support APPG urges the Government to elect those excluded by the 50% Rule to the fourth SEISS grant, or provide a TIGS grant of £7,500.

For those who fall below the 50% of self-employed income threshold to qualify for SEISS, the APPG also urges the Treasury and HMRC to take into account all income, PAYE and turnover through self-employment to give a more accurate picture of earnings, and base the 80% grant payment on this total amount.

Ideally, the government would provide an equal total amount of backdated support as those included in the SEISS since the beginning of the pandemic.

2.8 Newly Employed

This cohort includes people who were due to start new employment, or had just started new employment, before the Government's CJRS cut-off date (initially February 28th 2020, later moved to March 19th 2020). For a variety of reasons, their Real Time Information submission was not received by HMRC.

These people therefore cannot be placed on furlough. In some cases, PAYE may not have been filed in time for newly employed staff. In others, companies file their PAYE annually in April, and therefore missed the cut-off date.

We urge the Government to urgently look into providing a fraud-resistant and easily automated service to allow workers eligible, but unable to claim support, to make a claim directly to HMRC for the total amount of furlough and/or total income owed to them.

APPG Recommendation

We urge the Government to urgently provide a fraud-resistant and easily automated service to allow newly employed workers who are eligible, but unable to claim support, to make a claim for support directly to HMRC.

The government should look into expanding access to furlough by accepting alternative forms of evidence that can demonstrate an individual's employment, such as a signed contract of employment.[23]

[23] This recommendation was called for in the Treasury Select Committee's 10th June 2020 Report on Gaps in Support: https://committees.parliament.uk/publications/1446/documents/13238/default/

We also encourage the Government to investigate any and all policy proposals which would provide this vulnerable cohort with support.[24]

The APPG calls on the government to find the means to provide backdated support for this group, equal to the amount this cohort would have received if they had been detected in an RTI submission or correctly placed on the CJRS.

[24] An example of a policy proposal the APPG calls on the Government to consider is the recent draft white paper by the Centre Think Tank, which outlines how employees could apply directly for CJRS, rather than needing the employer to apply, and allowing this cohort, and others, to access backdated CJRS financial support. Torrin Wilkins, 'Expanding Furlough: Including more people in SEISS and CJRS' 21 January 2021.

PART 3: APPG PROPOSALS

Various policy solutions have been put to the Treasury by members of the APPG, aimed at supporting various clusters of UK taxpayers who have been left without support during the pandemic.

3.1 Targeted Income Grant Scheme (TIGS)

The Targeted Income Grant Scheme (TIGS) is designed to be a targeted solution for specifically identified groups that have been excluded from meaningful Government support. The TIGS scheme – drafted by Rebecca Seeley Harris, former Senior Policy Advisor to the Treasury's Office of Tax Simplification – has been presented to the Treasury by the APPG, with the aim of sealing major gaps in the Government's COVID-19 financial support package. The scheme is under active consideration by the Treasury.

These targeted grants from £3,500 to £7,500 would be easy to administer, fraud-resistant and offer long-term economic benefits.

For some groups, TIGS is a secondary avenue, for when other options are exhausted. For others, it is the only policy the APPG so far recommends. A few groups are not covered by TIGS, including those under-supported on the basis of parental leave and those denied furlough by their employer.

The APPG recognises TIGS does not represent parity, nor does it offer calculated backdated support. But it offers a stopgap for the vast majority of the people who have been without support for almost a year.

How many people would be included in TIGS?

If implemented by the Government, this cross-party plan could support up to 2.9million UK taxpayers who have so far been excluded from meaningful COVID-19 financial support.

The total number of self-employed people in the UK is approximately 5million, and 3.4million of those have claimed SEISS. So there are 1.6million self-employed people currently excluded from SEISS. There are, additionally, other excluded groups that are not technically self-employed in the way HMRC would define them, that add to the 3million-plus estimated total.

The 2.93 million figure covers five cohorts of people who have been excluded from support to date: **the newly-self employed, PAYE freelancers, Ltd company directors, plus those excluded by the 50% Rule and those with more than £50,000 trading profits unable to access SEISS.**

For most cohorts, the APPG offers the Government two means of granting financial assistance: inclusion in the fourth round of SEISS grants, or a bespoke one-off TIGS grant.

What would the overall cost be?

These targeted grants, from £3,500 to £7,500, would be easy to administer, fraud-resistant and offer long-term economic benefits. The grant options are based on precedent. The £3,500 grant option matches the Northern Ireland scheme for the newly self-employed; the £7,500 for PAYE freelancers, Ltd company directors and those excluded by the 50% Rule is in line with the grant cap on SEISS.

The table below summarises the proposed TIGS grant values, alongside the more comprehensive policy options the APPG has recommended to the Government.

Table 1. Summary of TIGS groups and grant values

Cohort	Population size	Claim Rate (estimated)[25]	Policy Option	Cost (TIGS grant option)
Newly self-employed	151,000	80,000	a) 4th SEISS grant or... b) a TIGS grant of **£3,500**[26]	**£280 million**
PAYE freelancers	165,000	95,000	a) 4th grant for SEISS or... b) a TIGS grant of **£7,500**	**£712.5 million**
Ltd co directors	1.157million [27] (946k-2m)	607,000	a) Directors Income Support Scheme (DISS) or... b) a TIGS grant of **£7,500**	**£4.55 billion**
50/50 trading and non-trading income	1.271million	667,000	a) The 4th SEISS grant or... b) a TIGS grant of **£7,500**	**£5 billion**
> £50,000+ trading profits	200,000	105,000	a) The 4th SEISS grant or... b) a TIGS grant of **£7,500**	**£787.5 million**
	TOTAL 2.94m	**TOTAL 1.55m**		**TOTAL £11.3bn**

[25] This is the adjusted figure minus 30% eligibility and 75% of people who claim.
[26] The scheme in Northern Ireland for the newly self-employed is a one-off grant of £3,500.
[27] There are between 946,000 and 2million small companies with directors and it depends on whether the DISS or TIGS grant is adopted as to how many are helped. The numbers are based on the micro-entities bracket.

3.1.1 Newly Self-Employed

Costing/Numbers

The ONS estimates 3% of self-employed people have been self-employed only since after the end of the tax year ending 2019.[28] That totals 151,000 people.

It is likely that the population of 151,000 will reduce due to not being eligible; it may also reduce further, by those people who do not make a claim. In SEISS, the reduction was approximately 30% who were ineligible and a further 75% who made a claim.[29] Thus, the likely figure of eligible claimants for TIGs amongst the newly self-employed would be **79,275 people.**

It is recommended that the grant be **£3,500.**[30]

Approximately 80,000 new starters claiming £3,500 would put the cost of the scheme at **£280million.**

Eligibility criteria

- 1 year's trading from April 2019 to April 2020
- From a trade or profession
- Self-assessment to have been submitted by January 31st 2021
- Temporarily unable to trade or currently trading but impacted by reduced demand due to the COVID-19 pandemic
- Impacted by a decline in trading profits as a result of the COVID pandemic
- Still trading and have an intention to continue trading
- 2019/20 trading profits less than £50,000
- Partnership profits – partner's share is less than £50,000
- Provide a Unique Taxpayer Reference (UTR)

Not eligible

- Commenced trading after April 5th 2020
- Already in receipt of SEISS
- Is a Ltd company
- State aid
- Failing to comply with a COVID Prohibition Notice
- Received a fine for a COVID offence

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[28] ONS, Coronavirus and self-employment in the UK, April 2020 CSE UK 2020.
[29] ONS, Coronavirus and self-employment in the UK, April 2020 CSE UK 2020.
[30] The scheme in Northern Ireland for the newly self-employed is a grant of £3,500.

Alternative Solution(s)

By January 31st 2021, those who were newly self-employed for the tax year 2019-20 should have submitted their first self-assessment. Although this will be for only one year's trading, it does give HMRC some valid data, allowing it to provide some support without an inherent risk of fraud.

The House of Commons Treasury Committee cited Caroline Miskin, Manager, Tax Practitioner Support, Institute of Chartered Accountants of England and Wales (ICAEW), explaining that "in principle [...] there is no reason why the 2019–20 tax returns should not be taken into account when determining the conditions and eligibility for the fourth grant" of the SEISS for the newly self-employed.

However, without sufficient evidence of trading profits, which is common in most new businesses, the SEISS calculation may be insufficient to support this cohort. Therefore, the TIGS is the recommended means of financial support by the APPG for this cohort.

3.1.2 PAYE Freelancers

Policy Principles

The policy is based on the PAYE freelancer not being able to claim support from SEISS because of the 50% Rule, and not being eligible for furlough under the CJRS. Their issues are further compounded by the fact that they have no employment rights, and are more vulnerable to being denied furlough by their employer.

It may be possible to assess them on the basis of either their total income from PAYE or combining their trading and non-trading income, as this makes up their total income in any case. If this total PAYE or combined income is below the current SEISS limit of £50,000, then they should be able to make a claim on that basis. The self-assessment tax return will include returns for both employment and self-employment for that individual.

Numbers and Costing

The June 2020 Treasury Select Committee report quoted the ONS estimate that 15.6% of self-employed people categorised themselves as "freelance" or "agency". Therefore, among the more than five million self-employed, the Committee estimated 780,000 people could be "freelancers".[31]

However, respondents to the ONS survey are self-reporting as freelancers under the self-employed category, so this figure would exclude those who are paid via PAYE. It may be that this cohort is defined as "agency workers" in ONS statistics, as they are paid on-payroll.

[31] Office of National Statistics, Annual Population Survey , 2019.

Agency workers make up 3.3% of the 5million, thus 165,000 people. However, PAYE freelancers includes workers paid on-payroll directly by the employer, who would not be categorised as “agency workers”.

Therefore, there is no accurate data on the number of PAYE Freelancers in the UK. However, TIGS architect Rebecca Seeley Harris has spoken with industry bodies who confirm the “agency workers” number of 165,000 people is “a good estimate”.

It is likely that the population of 165,000 will reduce due to eligibility criteria outlined below. The figure may also be reduced further by those people who do not make a claim. In SEISS, the reduction was approximately 30% who were ineligible and a further 75% who made a claim. That puts the likely figure of PAYE freelancer TIGS claimants at **95,000**, accounting for a 10% error of margin**.**

It is recommended that the grant be based on either

(a) The fourth grant for SEISS; or
(b) a grant of £7,500 (this is based on the maximum claim under the SEISS grant).

This means approximately 95,000 PAYE freelancers claiming either £2,500 for 3 months under SEISS, or £7,500 in a one-off grant which would cost **£712.5 million.**

Eligibility criteria

- Combined trading profits less than £50,000
- Submitted a self-assessment tax return including both trading and non-trading income
- Temporarily unable to trade or currently trading but impacted by reduced demand due to the COVID-19 pandemic
- Still trading and have an intention to continue trading
- Provide a Unique Taxpayer Reference (UTR)

Not eligible

- Already in receipt of SEISS
- Received or is receiving CJRS
- Is a limited company
- State aid
- Failing to comply with a Covid-19 Prohibition Notice
- Received a fine for a Covid-related offence

Alternative Solution(s)

Refused furlough

Some PAYE freelancers fall into the category of those who have been refused furlough by their employers. PAYE freelancers are particularly vulnerable to maltreatment as they are not employees, and do not have recourse to employee protections. For example, in March 2020, Bectu found 47% of PAYE freelancers in the union were not employed on 1 March and did not expect to be eligible for support through the CJRS.[32]

For this reason, the APPG recommends the Government pursues a variety of solutions (see 2.2) to fix this gap in support, as well as investigating the employee rights of PAYE freelancers and short contract workers. For example, this may include an appeals process to the Government against employers who refuse furlough, or a flat-rate taxable grant to all people, employees or PAYE freelancers, who have been excluded due to zero-hour contract working.

3.1.3 Limited Company Directors

Numbers and Costing

Rebecca Seeley Harris calculates the number of Ltd company directors through the number of micro-entities, as reported in the Government's October review of SEISS statistics.[33] While these figures represent the best estimate based on the available data, they should not be seen as definitive.

It is likely that the population of 1.57million micro-entities will reduce due to not being eligible. It may also reduce further by those people who do not make a claim. In SEISS, the reduction was approximately 30% who were ineligible and a further 75% who made a claim.

607,000 x £7,500 = **£4.55billion (TIGS grant)**

Eligibility criteria

- One directorship per person
- Person of Significant Control (PSC) – only individuals can apply
- Must actively work in the company
- Total projected trading profits for 2020-21 less than £50,000
- 50% of total income from trading income
- Temporarily unable to trade or currently trading but adversely affected by the COVID-19 pandemic
- Have been trading in the previous three years

[32] Bectu, 47% of PAYE freelancers fear they won't qualify for government support, 30 March 2020.
[33] Government Official Statistics, Self-Employment Income Support Scheme statistics: January 2021, 28 January 2021.

- Still trading and have an intention to continue trading
- Provide a Unique Taxpayer Reference (UTR)
- Provide a company reference number

Not eligible

- Investment companies
- Non-executive directors
- Already in receipt of SEISS
- Cannot claim CJRS concurrently
- State aid
- Failing to comply with a Covid-19 Prohibition Notice
- Received a fine for a Covid-related offence
- Company is technically insolvent

Alternative Solutions

See Directors Income Support Scheme (3.2).

3.1.4 The 50% Rule

To be eligible for SEISS, one of the conditions is that trading profits from self-employment must be equal to or more than non-trading income.

Numbers and Costings

According to the Institute of Fiscal Studies (IFS), more than half of the 50% Rule group[24] have a personal income below £25,000 per year. So, according to the IFS, extending SEISS to include this group would target many people on low and moderate incomes.

The profits per year for half the group are in the region of £5,000, so extending SEISS to this group would also mean the average payments would be quite low.

The official statistics for SEISS for January 2021 show that 86%, or 1.4million people, are ineligible for SEISS because of the 50% Rule.[34]

Grant details

It is recommended that the claim be based on either:

a) the 4th grant for SEISS; or
b) a grant of £7,500

[34] Government Official Statistics, Self-Employment Income Support Scheme statistics: January 2021, 28 January 2021.

The ONS SEISS Statistics report there are 1.436million, and these are current figures. The number of PAYE freelancers would be deducted from this (1.436million - 165,000 = 1.271million). The claim rate would be 667,000.

Targeted Income Grant Scheme for the 50% Rule group is 667,000 x 7,500 = **£5billion**

Eligibility criteria

- Combined trading profits and non-trading income less than £50,000
- Submitted a self-assessment tax return including both trading and non-trading income
- Temporarily unable to trade or currently trading but impacted by the COVID-19 pandemic
- Still trading and have an intention to continue trading
- Provide a Unique Taxpayer Reference (UTR)

Not eligible

- Already in receipt of SEISS
- Received or are receiving CJRS
- Is a Ltd company
- State aid
- Failing to comply with a Covid-19 Prohibition Notice
- Received a fine for a Covid-related offence

Policy principles

Alongside TIGS, the APPG recommends the adjustment of the exclusionary 50% Rule. There are two possible adjustments:

1. If both non-trading income and trading profits equal less than £50,000, the individual can claim SEISS.

2. The 50% Rule is adjusted to 60/40, where the trading profit has to be equal to or more than 40% of the non-trading income.

3.1.5 The £50,000 Cap

ONS figures suggest there are 200,000 people who have been excluded from SEISS due to their trading profits exceeding £50,000 per annum.[35] It is likely that the population of 200,000 will reduce due to not being eligible; it may also reduce further by those people who do not make a

[35] Government Official Statistics, Self-Employment Income Support Scheme statistics: January 2021, 28 January 2021.

claim. In SEISS, the reduction was approximately 30% who were ineligible and a further 75% who made a claim. This puts the number of claimants at 105,000.

Grant Details

a) 4th grant for SEISS with no upper cap limit on trading profits, or;
b) a TIGS grant of £7,500

Cost: 105,000 x £7,500 = **£787.5million**

Eligibility criteria

- Self-employed; or...
- Trading through a Ltd company (Ltd company director rules apply)
- Actively trading in 2019-20
- Actively trading for three years prior to 2020
- 50% of total income is from trading profits
- Temporarily unable to trade or currently trading but adversely affected by the COVID-19 pandemic
- Have been trading in the previous three years
- Still trading and have an intention to continue trading
- Provide a Unique Taxpayer Reference (UTR)
- Provide a company reference number

Not eligible

- Already in receipt of SEISS
- Cannot claim CJRS concurrently
- State aid
- Failing to comply with a COVID Prohibition Notice
- Received a fine for a COVID offence

Policy Principles

Alongside TIGS, the APPG recommends the removal of the upper limit on trading profits. There are two possible adjustments:

1. Tapering: As has been widely suggested in response to the Government's assumption that those in this situation are "financially comfortable". However, many of those affected do not consider this to be parity, which is the overriding call for redress from those excluded
2. Removing the ceiling: This is widely considered to be the most favourable outcome by those affected, such that support would be in line with CJRS, with the £2,500 cap irrespective of income

Government Response

The House of Commons Treasury Committee noted the receipt of the TIGS proposals in its February 15th 2021 report, adding that “we have not had an opportunity to take evidence on this proposal”.[36]

3.2 Directors Income Support Scheme

The Directors Income Support Scheme (DISS) was developed in partnership with the following stakeholders: ForgottenLtd campaign, ACCA, the Federation of Small Businesses, and Rebecca Seeley Harris of Re Legal Consulting.

It was submitted to the Treasury and HMRC for consideration in December 2020. The APPG’s first recommendation to the Treasury is to adopt the DISS. Failing that, **TIGS is recommended as an alternative solution, outlined above (3.1).**

DISS is based on the trading profits of the company contained in the CT600 corporation tax return, rather than dividends. DISS would allow small Ltd company directors to claim SEISS on their PAYE and dividend income combined.

The scheme has been designed so it:

- Creates parity with the SEISS
- Is not open to fraud or abuse by non-trading companies
- Can use existing information and tools that HMRC already have and therefore will be simple to administer and set up

DISS has been developed to provide the Government with a viable method of support for company directors. The assumption is that it will be run on the same parameters as the Self-Employed Income Support Scheme (SEISS). The scheme is based on the trading profits of the company, which are contained in the corporation tax return.

Any verification can be self-certified because, unlike the self-employed, the director of a Ltd company has certain duties in law. If a director makes a false or misleading statement, then this can have very serious consequences.

The director would be able to claim for only one directorship in the entity in which they have the greatest income. The director must declare that they intend to continue to trade and, either, are currently actively trading but have been impacted by coronavirus, or were previously trading but

[36] Government Official Statistics, Self-Employment Income Support Scheme statistics: January 2021, 28 January 2021.

are temporarily unable to do so due to coronavirus.

The APPG DISS is not open to fraud, any more than SEISS, and would not be labour intensive for HMRC.

Treasury Response

The House of Commons Treasury Committee report, published on February 15th 2021, recounts evidence given in regard to the Directors Income Support Scheme.

The report notes that Caroline Miskin of the ICAEW (see P21) submitted a letter to the Chair of that Committee on January 22nd 2021, stating that DISS would not be implementable with information already held by the HMRC. DISS would require “additional declarations, such as that the directors who are being claimed for are working directors, and that only one claim is being made in respect of those who are a director of more than one company”. Nevertheless, she added that none of these problems was “insurmountable”.[37]

The report notes that the Rt Hon Jesse Norman MP, Financial Secretary to the Treasury, told the Chamber on January 18th 2021 that DISS did not overcome issues of fraud and abuse. In a letter to the Chair on January 26th, Sir Tom Scholar, Permanent Secretary at the Treasury, also stated that DISS is “intrinsically reliant on self-certification by owner-managers of companies” and, therefore, it is potentially liable “to open the scheme up to an unacceptable level of fraud and abuse, and perhaps even criminal activity”.[38]

However, as the report notes, Glen Collins’ statement that “the entire tax system is built around self-assessment” and that “directors have specific duties, laid down by company law” allays these concerns.[39]

As such, the APPG echoes the report’s conclusion that “by conspicuously leaving out a large proportion of Ltd company directors from support altogether, we are concerned that the Government is sending out the wrong message – that it is not adequately supporting entrepreneurs and employers, who have suffered significantly from a lack of support.”[40]

The APPG echoes the Committee’s report, which questions whether the fraud risk of DISS justified leaving Ltd company directors without any support, and whether more can be done to

[37] House of Commons Treasury Select Committee, Economic impact of coronavirus: gaps in support and economic analysis, 15 February, 2021.
[38] House of Commons Treasury Select Committee, Economic impact of coronavirus: gaps in support and economic analysis, 15 February, 2021.
[39] House of Commons Treasury Select Committee, Economic impact of coronavirus: gaps in support and economic analysis, 15 February, 2021.
[40] House of Commons Treasury Select Committee, Economic impact of coronavirus: gaps in support and economic analysis, 15 February, 2021.

mitigate fraud risks inherent in DISS. Therefore, the APPG urgently calls for a re-evaluation of DISS by the Treasury, and that the Treasury sets our adequate support for Ltd company directors in the upcoming Budget.

3.3 Proposal For New Parents, Pregnant Women and Those Excluded By Maternity, Paternity, Adoption Leave Issues

The APPG is calling on the Government to take urgent action as significant evidence continues to emerge showing women and new parents are disproportionately affected by the ongoing Coronavirus crisis.

The following recommendations have been drafted and supported by Pregnant Then Screwed, Maternity Action, ExcludedUK and Covid-19 maternity rights campaigner Bethany Power, and were submitted to the Treasury on 22nd February 2021.

3.3.1 On Coronavirus Job Retention Scheme (CJRS)

1. **We call on the Government to adapt the CJRS scheme to protect pregnant women in the workforce, by enabling employers to recover 100 per cent of the cost of a maternity suspension (under health and safety law) of a woman who is 28 weeks pregnant or beyond (or who is pregnant and extremely clinically vulnerable or otherwise medically advised to shield).**

   On December 23rd, the Department for Health and Social Care and the Health and Safety Executive jointly published new, COVID-19-specific guidance to pregnant women in the workforce. This guidance states that women who are 28 weeks pregnant or beyond, or who have underlying health conditions, are at "greater risk of severe illness from COVID-19".

   Given the emergence of more transmissible (and possibly more deadly) variants of COVID-19, it is our view that such a "more precautionary" approach requires maternity suspension on full pay to be the default position in the case of women who are 28 weeks pregnant or beyond, or who have underlying health conditions. In addition, the CJRS reimbursement rate should be changed to 100 per cent, not 80 per cent.

   Maternity Action first raised concern about the lack of reference to pregnant women in the CJRS guidance with Treasury ministers in April 2020, and first made the above proposal, together with the TUC, RCOG and the RCM, on October 26th. Despite renewing our joint call in a further letter to the Chancellor on January 12th, we have not had any substantive response direct from Treasury ministers or officials.

   On February 4th, in answer to a Parliamentary Question tabled by Wera Hobhouse MP, Treasury minister Jesse Norman appeared to reject the proposal on the basis that it is not consistent with the objective of the CJRS furlough scheme to "enable employers to keep people in employment". This appears to reflect what Caroline Nokes MP has described as the Government's "passive approach to gender equality".[41] The Government must recognise that the effective exclusion of pregnant women from the CRJS furlough scheme is acting to drive women out of employment.

2. **The Government must amend the latest CJRS furlough scheme guidance to address the fact that the employer of a woman who was on maternity leave, and on Maternity Allowance rather than Statutory Maternity Pay, throughout the period March 20th to October 30th 2020, will not have submitted a PAYE Real Time Information (RTI) submission, as is required by the guidance relating to the extension of the scheme from 1 November.**

   Maternity Action first raised this issue with Treasury officials on January 8th 2021. In a letter dated January 21st to Wera Hobhouse MP, who had raised the issue directly with the Leader of the House, Treasury minister Jesse Norman appeared to reject our call on the basis that "Without the use of RTI returns, it would be difficult to verify claims without significant additional checks". However, in our view the potential for fraud is (a) low, because employers will not have more than one or two women in this category; and (b) could be easily addressed by e.g. requiring evidence of MA claim/receipt in such cases. The Government is likely to face a legal challenge on this issue shortly.

3. **The Government should look into providing a system of backdated CJRS payments to new mothers and parents who have been denied furlough by their employers due to insufficient Government guidance**.

   Furlough payments should be backdated to the date the mother or parent was originally scheduled to return to work after maternity leave (pre-COVID-19), but could not because of the pandemic, whilst needing to keep within statutory maternity legislation by giving eight weeks notice to their employer. This would help to rectify the lack of support mothers and parents have faced as a result of having to go on unpaid leave and/or have faced a complete loss in their accrued annual leave due to the maternity end date falling in late 2020 – along with, if awarded, the loss of their keeping in touch (KIT) days due to being unable to work or work from home due to COVID-19.

3.3.2 On Self-Employment Income Support Scheme (SEISS)

4. **The Government must amend the SEISS scheme to disregard periods of maternity or parental leave during the three-year profits calculation period.**

[41] House of Commons Women and Equalities Committee, Government must assess equality impact of every policy, 9 February 2021.

This was the subject of a judicial review brought by Pregnant Then Screwed against the Chancellor for indirect sex discrimination, in which judgment was dismissed. It is yet unclear whether the judgment will be appealed. Maternity Action first raised this issue with Treasury ministers in April 2020.

5. **The Government must look into backdating SEISS payments to mothers and parents who have been denied SEISS support or where this support has been limited as a consequence of being in a period of maternity, parental or adoption leave, and thus calculations for the purposes of SEISS do not accurately reflect pre-COVID income.**

   Backdating SEISS payments to the date the mother or parent was originally scheduled to return to work after maternity pre-COVID-19, but could not because of the pandemic, will help amend the unsupported discrimination that mothers and parents have faced as a result of having to go on unpaid leave.

   Some pregnant women and new parents have fallen through the existing gaps in SEISS and, during the pandemic, have been pregnant and/or in a period of maternity, parental or adoption leave. Many in this situation have often been confronted with a set of circumstances that further exacerbates inequalities (e.g. they work in a hard-hit sector that faced long recovery; their work is dependent on international travel but cannot in these circumstances take on such work; they need to shield for other reasons). In some cases, self-employed pregnant women have been forced to take on unsafe work and/or ended up in a situation where they have felt they had no choice but to work, having fallen beyond the scope of SEISS and therefore not in receipt of meaningful support.

6. **The Government must find a mechanism to support pregnant women and new parents who are Ltd company directors have also been disproportionately affected by lack of support**.

   For those whose businesses have suffered detrimental damage as a result of COVID-19, they have not been in a position to pay themselves Maternity Pay from their own businesses, or build up reserves to cover their maternity period since the pandemic hit. The only support they can receive is the limited furlough on the basic PAYE portion of their income (typically ~£575/month at 80 per cent); for those who are annually paid PAYE, they have been unable to receive any furlough, until the extension of CJRS in November 2020.

   However, as is the case for many Ltd company directors, they have often found themselves in the position of having to choose between working to save their businesses in order to have a business to return to after their maternity period, or abandoning their businesses to receive what support they can. This situation was only slightly improved with the introduction of flexible furlough in July 2020, enabling directors to work partially but then lose that from their furlough calculations.

Moreover, mothers in this position cannot simply look for other work, being in their maternity period. Extending SEISS to Ltd company directors without the hard eligibility criteria that have excluded so many, or implementing Directors Income Support Scheme (DISS) or Targeted Income Grant Scheme (TIGS) would benefit new parents facing this predicament and, in line with other elements of this proposal, backdated payments would account for periods of maternity, parental or adoption leave.

7. **The Government must support childminders who are unable to access SEISS due to being recently self-employed.**

   In particular, nannies and au pairs have been severely impacted during lockdowns as they find themselves without jobs while parents are furloughed or working from home. In many cases, the loss of employment is accompanied by a loss of the accommodation that comes with their job. This is particularly detrimental for those high numbers of migrant women employed in the sector and for whom there is no recourse to public funds. The Nanny Solidarity Network was formed to provide hardship grants and emergency housing to nannies and au pairs who were ineligible for Government support schemes.

3.3.3 Additional policy recommendations

8. **The Government must give the further flexibility of a temporary right to shared furlough with another parent or guardian to support caring needs.**

   Research by the Trades Union Congress (TUC) found that 71% of requests for furlough due to childcare were rejected. Additional flexibility will help support parents in balancing their jobs, along with care needs or home schooling responsibilities.

9. **Extend the NHS Exemption certificates by another 12 months, helping mothers who have been denied postpartum NHS dental care**.

   Although the Government states NHS dental treatment has been available since June 2020, this has simply not applied for thousands, with many denied check-ups and procedures under the NHS. This will support mothers who gave birth in late 2019 to date, to receive the adequate postpartum care that has been severely disrupted by COVID-19, resulting in many women being denied this help.

10. **The Government must support nurseries with funding to survive the pandemic. A third of nurseries are facing closure due to staff and children needing to isolate or families struggling to afford to keep their child's placement.**

The childcare sector is a massive help to the economy. It supports women in their careers, and suffering from gender pay issues. It supports young families and prevents poverty. It helps aid early-year child development. Childcare provides vital social infrastructure that enables maternal employment and helps to close the attainment gap for children in deprived areas.

The Government should reinstate the funding it withdrew last month and continue to fund places at pre-pandemic levels to ensure the survival of maintained nurseries. Additionally, private nurseries which are not in receipt of 15/30 hours funding are at increased risk of closure. Funding for the childcare sector will ensure there is provision available that will allow parents, mostly women, to return to employment during the recovery. Long-term, the Government should commit to an independent review of funding for the childcare sector which, prior to the pandemic, was suffering from a £662million shortfall in funding.

11. **The Government must support women who have taken unpaid leave due to health and safety concerns or because of home schooling and caring responsibilities, and are seeing their qualification for Statutory Maternity Pay and Allowance impacted**.

    Many women who have taken unpaid leave, such as dependent's leave or parental leave, to deal with school/childcare closures, or pregnant women who have been forced on to incorrect terms such as Statutory Sick Pay (SSP) due to health and safety risks, have seen their qualification for Statutory Maternity Pay and Allowance impacted. Being forced to take such leave through no fault of their own has meant these groups of women are not meeting the required earnings threshold. The Government should exempt periods of parental or dependent's leave or SSP that occur during the qualifying period.

3.3.4 Future Recommendations

Further to our calls above, it is important to recognise that women are more likely to work in sectors detrimentally affected by the pandemic – retail, hospitality, weddings, creative industries, personal services – while also bearing the brunt of caring responsibilities at home. Long-term loss of income is likely to further increase the pay gap and it will be increasingly harder for women to reduce this as these sectors will be expected to be among the last to open up, or they are unable to commit to hours if they are required to support children or other family members at home.

The Institute for Fiscal Studies (IFS) has found that women were about one third more likely to work in a sector that is now shut than men.

Loss of annual leave/use of discretion by employers, coupled with the slow decision to extend the CJRS has meant there were women who lost out on their wages – backdating this and the funds needed by the Treasury would be negligible in the wider sense of the scheme, and would be a sign that the Government has recognised it did not consider the needs of mothers on maternity leave and is willing to rectify this.

We recognise that the CJRS was established quickly by the Treasury. However, the Government has been slow to act on filling the gaps that have emerged, and can no longer hide behind the response that it was working reactively to a changing situation as we approach one year on from the announcements of the schemes. Ample time has passed for appropriate changes to the schemes to be made.

Further to the work done by the Treasury Select Committee, “The scheme does not provide support to employees who have had to reduce or cancel work due to their own circumstances, rather than due to their employer’s requirements. Therefore, employees are unable to make use of the CJRS if they need to temporarily halt their employment themselves to care for an isolating relative or to look after children…”, and the APPG believes work should be done to make furlough more flexible and intuitive, and for the needs of parents especially.

A review of SEISS is required urgently, as there will now be self-employed mothers who may be going on maternity leave and will have received no support; thus their application for Statutory Maternity Allowance will be affected. Similarly, Ltd company directors who are going on maternity leave will be affected in the same way.

This is not an issue simply to be left in 2020 – the impacts will be long lasting and far reaching as women make decisions to become pregnant. Put simply, entrepreneurs, whether self-employed or Ltd company directors, should not be discriminated against for becoming new parents and losing their incomes as a result of the pandemic. Nor is it reasonable to expect women to put off having a family due to the lack of support from the Government more broadly.

We call on the Government to look at all areas affecting pregnant women, new parents and provision of childcare as set out above and amend support to address these issues.

Conclusion

The APPG has recommended to the Treasury a wide range of proposals, offering flexible solutions to the gaps in the Government’s COVID-19 financial support schemes. The APPG calls for all proposals to be taken into consideration, and for as many as possible to be implemented without delay.

We recommend various policy adjustments to the SEISS and CJRS to fix the gaps in support going forward. This includes adjusting the way in which support is calculated, adjusting the cut-off dates for accessing schemes, adjusting the manner in which schemes can be accessed or adjusting income criteria for the schemes.

We also recommend a range of backdated grants and solutions, in the hope that all UK taxpayers can receive fair and appropriate levels of support by the end of the coronavirus crisis. The APPG recommends various types of grant, including grants equivalent to backdated support and “stop gap” grants to provide urgent support to those who need it most. This may take the form of a policy adjustment, such as ensuring certain cohorts are included in the fourth round of SEISS grants, or in the form of a bespoke one-off taxable grant for certain cohorts, such as the Targeted Income Grant Scheme. These proposals meet HM Treasury and HMRC qualifications, are fraud-resistant, easy to administer and not too labour intensive to implement.

The APPG also calls on the Government to investigate wider and associated issues which intersect with or exacerbate gaps in support. This includes advice given to employers concerning maternity suspension or sick leave, the status and rights of PAYE freelancers or zero-hour contract workers and impact gaps on support has had on certain groups, for example women or BAME workers, and certain industries, for example the creative sector.

We welcome any active engagement from the Treasury on the APPG’s recommendations. For solutions already considered by the Treasury, such as the Directors Income Support Scheme, the APPG contends the reasons for rejection are unsound and calls for urgent reconsideration. The APPG also calls on the Treasury to present its own workable solutions to gaps in support, and to suggest a way in which the APPG’s proposals can be more swiftly and equitably implemented.

The APPG’s emphasis is not on a particular cohort or one single solution. Rather, we welcome any and all steps towards parity from the Government, whilst being committed to finding solutions for all. We reiterate that millions of tax-paying people have been left without any meaningful support for nearly a year.

In many cases, the Treasury has the tools and the information needed to act on the APPG’s proposals – all that is lacking is the will to do so. Therefore, we call urgently on the Chancellor to present conclusive solutions to the gaps in support in the March 3rd 2021 Budget.