



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Rebecca Evans
AC/AM Y Gweinidog Cyllid a'r Trefnydd
Minister for Finance and Trefnydd

1 June 2020

Dear Rebecca,

Thank you for your letter of 5 May to The Rt Hon Steve Barclay MP about the new bonus payments for social care workers. I am replying as Minister with strategic oversight of the UK tax system.

The UK Government greatly values the contribution of social care workers, particularly during the current crisis. We also understand that the collective response to Covid-19 needs to be UK-wide, and we have taken steps to ensure that devolved administrations have access to increased funding for their own policy responses. This includes over £2.2bn of funding for the Welsh Government to support people, businesses and public services at this time.

You ask if bonus payments to social care workers might be made exempt from tax and so be disregarded for benefits purposes. Before the final position is confirmed, it will be important for our officials to work together to determine the details on the legal powers involved and exact scope of the proposed bonus.

However, payments made in connection with an employment are chargeable to income tax and National Insurance contributions unless explicitly exempt and a new exemption would require primary legislation. They also count as income for the purposes of benefits such as Universal Credit.


Given our understanding from you that the carer's bonus payment functions as a top up to wages, it is taxable as earnings under normal rules. As you note, the storm payments made earlier this year were different in nature, as they did not relate to earnings and so were not liable to tax by default.

This is consistent with our approach across different forms of financial support at this time. The Government has taken steps to ensure that other forms of Covid-19 support, including payments made under the Job Retention Scheme and the Self-employment Income Support Scheme, are liable to tax.

If the intention is for carers to benefit by at least £500, it is open to you to gross up the payment to take into account the tax liabilities. This is a decision for the Welsh Government, and I will wait to hear back from you with details on how you would like to proceed.

Whatever your final decision, I hope that officials in the UK and Welsh Governments can work together so that there is a better shared understanding of the tax and benefits implications of any further proposed payments before they are announced.

Yours sincerely,

A handwritten signature in black ink that reads "Jesse". The letter 'J' is large and stylized, with a long tail that loops back under the 'e's.

RT HON JESSE NORMAN MP