

Coronavirus Advice for Business – 5 November 2020

HELP FOR THE SELF-EMPLOYED

Coronavirus Self-Employment Income Support Scheme (SEISS)

The scheme the Chancellor has announced is aimed at equalising the measures in place for the employed but furloughed individuals under the Coronavirus Job Retention Scheme.

The Government had initially said that they will pay a grant of 80% of the average monthly profits up to a cap of £2,500 per month. Details on how these profits are to be calculated are given below. The scheme was open for an initial three months. Eligible people had until 13th July 2020 to make a claim.

On 29th May the Chancellor announced the scheme would be extended for a further 3 months, offering self-employed individuals a grant of 70% of average monthly profits up to a cap of £2,190 per month. Claims open for the second grant on 17th August. If you did qualify for the first SEISS grant, but chose not to claim it, this does not affect your eligibility for the second grant.

On 5th November the Chancellor announced the scheme would be extended to cover trading profits from November 2020 until January 2021. This grant is available to self-employed individuals at a level of 80% of average monthly profits, up to a cap of £2,500 per month. We will announce further details when claims open for this grant.

Are you eligible?

This scheme is only for sole traders, partnerships and LLPs. Directors or owners of Limited companies do not qualify.

The eligibility conditions you must meet are:

- have submitted your Self Assessment tax return for the tax year 2018/19 as long as this was filed by 23 April 2020 ***(1)**
- traded in the tax year 2019/20
- are trading when you apply, or would be except for coronavirus
- intend to continue to trade in the tax year 2020/21
- have lost trading profits due to Coronavirus
- Taxable trading profit of no more than £50,000 in 2018/19, or no more than £50,000 on average for the past three years ***(2)**
- Self-employment trading income forms more than 50% of overall income

You will need to confirm to HMRC that your business has been adversely affected by coronavirus. It is expected that HMRC will use a risk based approach to compliance but it is not yet clear if there will be a clawback of the grant if this is proven not to be the case.

***(1)** For those who are newly self-employed and haven't yet submitted a Tax Return HMRC have clarified this position and suggest if you are a self-employed sole trader or a member of a partnership you can apply if you:

- have traded in the tax year 2019/20,
- are trading when you apply, or would expect to be if not for Coronavirus,
- intend to continue to trade in the tax year 2020/21,
- have lost trading profits due to Coronavirus.

***(2)** Illustration:

Bill is a self-employed domestic plumber who has been trading for over 10 years. Bill has self-employment income and his trading profits over the last three years have been as follows; £30,000 in 2016/17, £51,000 in 2017/18 and £42,000 in 2018/19. His average trading profits

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for the three years are £41,000. Bill has a small amount of interest and some dividend income of £100 and therefore as his income is more than 50% of his average taxable income.

What you will receive?

For those that are eligible the Government have said that they will pay a taxable grant worth 80% ^{*(3)} of your trading profits up to a maximum of £2,500 a month to 31 January 2021.

For Partners, the income test will be based on their share of the Partnership profits.

This is a grant so does not need to be repaid, but it will be subject to Income Tax and National Insurance contributions and will therefore need to be shown on individuals' 5 April 2021 income tax returns. It will also form part of your income for tax credit purposes.

^{*(3)} Illustration:

Bill has average trading profits of £41,000 which is a monthly average of £3,416. He is eligible for a grant equal to the lower of £2,190 or 80% x £3,416. In this case £2,500 (the cap) is higher than £2,733 (80% x £3,416) so Bill will receive £2,733 x 3 months = £8,198.

If you have loans covered by the loan charge

If you're self-employed and have received payment for work or services in the form of a loan or other form of credit covered by the loan charge, you may be able to claim the grant, however your eligibility and average trading profits will be based on either:

- the average of the tax years 2016 to 2017 and 2017 to 2018
- the tax year 2017 to 2018 if you were not self-employed in the tax year 2016 to 2017

If you're a farmer claiming farmers' averaging relief

If you're a self-employed farmer claiming farmers' averaging relief HMRC will use the amount of profit before the impact of the averaging claims to work out if you can claim the grant and how much grant you will receive.

How to apply

The scheme for the first applications closed on 13th July. HMRC have set up an online eligibility checker [here](#) and we would advise you to use the eligibility checker to identify if you are eligible to claim the second grant. Claims are made using the GOV.UK online service [here](#).

If you haven't applied for the first payment by the deadline (13 July) this won't affect your eligibility to receive the second payment or the third payment.

Payments are made in a single lump sum payment by HMRC directly into your bank account; you will need to give HMRC your bank details when you complete the application form.

HMRC point out that you will access the scheme through the .GOV website and that people should avoid calls, texts, and emails due to the risk of scams.

For our clients we will have all your Tax Return data on our files, so if you are anxious to know if you would be eligible for a payment through this scheme we can calculate the relevant income figures for you – please get in touch by calling your normal contact point at our firm.

You may need to register for your own Government Gateway account to make your claim online. Our tax team can help you with this.

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Other measures that may help the self-employed

If you are not eligible for a payment under this scheme, then you will need to consider the other “safety-nets” in place such as Universal Credit, interest-free bank loans, payment holidays etc. and if you are a Director of a company taking income as a mix of dividends and salary you may need to consider the Coronavirus Job Retention Scheme for your PAYE amount.

Many Self Employed workers that don't trade from a property and therefore don't qualify for the £10,000 cash grant or Business Rates discount.

The news that income tax payments due on 31 July 2020 and VAT payments due in the period between 20 March 2020 and 30 June 2020 can be deferred until later in this tax year may help some start to balance the books. And “Time to Pay” arrangements will still be possible for those who need a slightly longer period to catch up.

Both Universal Credit standard allowance and Working Tax Credit basic elements will be increased by £1,000 a year for the next 12 months. To ensure that the Self Employed benefit the minimum income floor (MIF) has also been removed. The MIF is a measure that assumes that Self Employed workers earn a certain level of income. By eliminating this, it opens more benefits to people who are Self Employed “at a rate equivalent to Statutory Sick Pay for employees” according to the Chancellor.

There has also been an increase in support for renters with an increase in Local Housing Allowance that will cover at least 30% of market rents and also the previously announced three-month mortgage holiday.