

# COVID-19 *Self Employment* INCOME SUPPORT SCHEME

The Government announced details of the Covid-19 Self Employment Income Support Scheme (“SEISS”), aimed at helping the self employed in a similar way to the Job Retention Scheme for employees, with a taxable grant being payable of up to 80% of trading profits and £2,500, if lower.

## WHO CAN CLAIM?

The SEISS will be available to those who were either self employed or in partnership at any point in 2018/19 and have continued to trade throughout 2019/20, or would be if it wasn't for Covid-19, and are hoping to continue to trade afterwards, and have lost profits as a result of COVID-19. Unfortunately, and to minimise the risk of fraud, the SEISS will not currently be available to newly self employed individuals who commenced trading after 6 April 2019.

## HOW DO I CLAIM THE SEISS?

You don't have to do anything as HMRC will contact those who they believe are eligible in due course, based on a data mining exercise on the information they already hold on filed self assessment tax returns, and will send a form to be completed to you to provide additional information. They are hoping this will be by the beginning of June at the latest and they ask that no one contacts them in the meantime to prevent further delays.

## WILL I BE ELIGIBLE AND HOW MUCH WILL THE GRANT BE?

In order to be eligible for the grant, you need to have self employment profits, or a partnership profit share, of less than £50,000 in 2018/19 and these profits need to be at least 50% of your total income. Alternatively, if you do not fall within these limits for 2018/19, but are self employed in 2018/19, you can take the average trading profit and total income for the past three tax years, 2016/17, 2017/18 and 2018/19, instead. If you started trading after 6 April 2016, HMRC will take the tax returns you have filed and use those to calculate the average. In all cases, you need to have filed a return for 2018/19, and HMRC have given a further 4 weeks to file any late returns, which should have been filed by 31 January 2020.

The grant will then be calculated using your average monthly profit levels achieved across the 3 years, or if less, the number of years you have traded. The grant will then be paid at a rate of 80% of your average monthly profits, or £2,500 if lower, for a total of 3 months initially. This will be paid in one instalment into your bank account which is likely to be June at the earliest. The grant will form part of your taxable income and will be liable to income tax and Class 4 National Insurance Contributions, as it aims to compensate for loss of profits through the claim period.

## HOW DOES IT COMPARE WITH THE JOB RETENTION SCHEME FOR EMPLOYEES?

Whilst the calculation looks similar, the profit limit is not as generous as the Job Retention Scheme, which has no restriction on the level of salary for eligibility, just the grant itself which is capped to a maximum of £2,500 per month. However, unlike employees, the self employed can continue to work throughout the claim period and continue to try and improve their profits. As a result, the Government believes that the SEISS will help 95% of self employed people, with the aim of helping those in most need.

## WHAT'S NOT YET CLEAR ABOUT THE SEISS?

### We are awaiting further clarification on:

**How will HMRC identify those tax payers who are eligible?** Whilst we understand HMRC will use data from the 2018/19 tax returns submitted in order to contact those in question, we hope there will be a procedure for those taxpayers who believe they are eligible for the grant but are not initially contacted by HMRC. If you have not yet submitted your 2018/19 tax return, HMRC has extended the filing deadline to 23 April 2020 and, if your return is still not submitted by this date, you will not be eligible. Normal penalties for late filing are expected to apply.

**What is meant by “profits” and will capital expenditure and capital allowances be taken into account when looking at profit levels?** For example, those unincorporated businesses investing heavily in capital expenditure on a regular basis, for example farmers, manufacturers and plant hire businesses, generally have lower taxable profits due to large capital allowance claims, and this may affect the level of grant they receive. We are waiting for further guidance on whether HMRC will regard “profits” either pre or post any such claim.

**How much grant will be due if you had a loss in any of the relevant years?** From the information available, it would appear that little or no grants would be paid to those businesses that were loss making before the Covid-19 pandemic. However, we await clarification on whether “profits” will include losses brought forward, which are automatically offset against current year profits, or whether they will be disregarded. As there is flexibility in how some losses are used, some self employed taxpayers may think about amending their 2018/19 results to use their losses in a different way to ensure they are eligible for the grant. However, it is likely that HMRC will review claims at a later date, and that the risk of an enquiry might increase where amendments are filed for a 2018/19 return, which results in the profits reported for the year increasing.

**Will Furnished Holiday Let (FHL) businesses be eligible for the grant?** Tourism is going to be significantly affected as a result of the pandemic, including FHL owners, who will have been forced to close following the Government's ruling. FHLs have a deemed trading status for many tax purposes and so it will be interesting to see if the deeming rules are extended here, treating this as further self employed income.

## HOW CAN WE HELP?

As ever, we are at hand to review the detail of this new scheme, as it is released, and to work with you to help you through the claim process and to check HMRC's workings. If you would like an estimate of what grant income you might qualify for, please do get in touch with your usual adviser.



**Katie Hodge**  
katie.hodge@albertgoodman.co.uk

## Contact

01823 286096

[www.albertgoodman.co.uk](http://www.albertgoodman.co.uk)

@AG\_LLIP