

SELF EMPLOYMENT INCOME SUPPORT SCHEME (SEISS)

I have made a summary of the main points announced by Chancellor.

We expect to receive more detail about this scheme and other measures, over the next week or so and there are a lot of questions following the details released last night.

We do not as yet have all of the answers, this is a very difficult and fast moving situation.

The SEISS scheme is relatively simple and along with the Job Retention Scheme for Employees, it will help a large % of the working population.

However that simplicity does result in an uneven / unfair situation for many in my opinion but it is a clearly a very difficult situation for them to deal with.

Directors:

If you are a Director of Limited Company, paying salary and dividends, the Chancellor made it clear that you are not self employed and you will not get any support towards the dividends that you take.

However Directors will be covered by the Job Retention Scheme (JRS) if you are operating a salary through the PAYE scheme. Most Directors take a small, tax / NIC efficient level of salary and this will be covered by the JRS, if the Director is furloughed.

Landlords:

There were no provisions at all for landlords.

Self Employed & Members of a Partnership – Not a Limited Company:

Self employed will receive grant being the lower of

£2,500 per month OR
£80% of your trading profit

The trading profit will be based on your last 3 years tax returns 2016/17, 2017/18 and 2018/19. If you only have 2017/18 or 2018/19, it will be based on these.

The current tax year 2019/20 is not going to be relevant at all. Why? They believe that some self employed may show an increased level of profit!?

Example:

If your taxable income from self employment in the last 3 years was

2016/17	£16,000
2017/18	£18,000
2018/19	£20,000

3 year total £54,000 = Average of £18,000 per year

If you are entitled to claim for all 3 months, you should receive a grant of £3,600 * early in June, covering March, April and May.

£18,000 divided by 12 = £1,500 per month

3 months = £4,500

80% of £4,500 = £3,600

Immediate Questions

This scheme does not cover those trading through a Limited Company. Directors will need to claim under the Job Retention Scheme for their PAYE based salary, excluding dividends.

If you have recently become self employed and did not submit a 2018/19 tax return you are not covered by this scheme. You will need to contact the Universal Credit system.

If this scheme does apply to you, the funds will not become available until June. You will need to find a way to support your cashflow in the interim period.

If you do receive funds from this scheme it is a grant, it is not repayable but it will be included in your Accounts and it will be liable to Tax and NIC.

The self employed can work, unlike employees under the Job Retention Scheme. Considering how similar the schemes are otherwise, this is a little odd.

However the medical advice is to stay at home and so there will presumably be ongoing restrictions regarding what work can be done and this scheme only applies if your income has 'been affected'.

So if you carry on working and your income is not affected, it would appear that you cannot then claim under the scheme. We need more detail on this.

Other Details

If your average trading profits exceed £50,000 you will get £0.

To qualify half of your income must have come from self employment.

If you started self employment after 06 April 2019 then it sadly appears you wont qualify. You will need to contact Universal Credit and this is moving to an online process because the phonelines cannot cope.

<https://www.gov.uk/universal-credit>

The grant will cover the months March, April and May

However the systems wont be ready until June so payments wont be made until at least then.

You do not need to do anything. HMRC will contact you and they ask you to complete a form online if eligible according to their information. We will help our clients with this.

We will contact all of our self employed clients with details of their trading profit son what the grant will be based upon and our calculation of what we think that you will be entitled to ASAP but I cannot give you a timescale.

We are clearly drowning in questions and my team are working around the clock so please stick with us.

All clients are important but this is all new to us as well and it takes time to set up our systems.

Commentary

The new Coronavirus (Covid-19) Self-employment Income Support Scheme will pay 80% of an individual's average monthly profit over the last three years, as a taxable grant up to a maximum of £2,500 a month. It will be open to all across the UK for a three month period, with an extension if necessary.

This scheme applies to self-employed individuals and members of a partnership, who have lost income due to coronavirus.

HMRC will use the average trading profits from tax returns in 2016-17, 2017-18 and 2018-19 to determine the size of the grant

Those who cannot produce three years of accounts will be able to submit either one or two years, but Sunak pointed out that income levels for the self employed can be volatile, and hence the three-year requirement.

The financial support figure and terms are the same as those set out earlier in the crisis, when PAYE employees were offered a scheme covering 80% of their monthly earnings up to a £2,500 cap.

Sunak said the delay in rolling out help for the self employed was because of the difficulty of devising a scheme which offered 'deliverable, fair and targeted support', given that the self employed are 'a diverse population with some people earning significant profits'. For the same reason, it will only be on offer for those with trading profits of up to £50,000.

Applicants for the scheme must make the majority of their income from self employment. To minimise fraud, they must also have already submitted a tax return for 2019.

'If you claim tax credits you'll need to include the grant in your claim as income,' HMRC guidance states.

However, Sunak also announced that from today, 26 March, anyone who was late filing their January tax return and missed the 31 January deadline will have four weeks in which to submit a return with a final deadline of Thursday 23 April 2020.

He said government analysis suggests that the scheme will benefit 95% of those who are self employed, while the remainder have substantially higher incomes than average.

Availability of funds

HMRC plans to be able to offer access to the scheme no later than the beginning of June, when the department will contact those eligible directly and ask them to fill in an online form. Payments will be made directly into their bank account, and will be back dated to 1 March, meaning a self employed taxpayer will receive three months' money in one go.

HMRC has issued initial guidance on the scheme and further details will be shared in due course by the tax authority.

Asked how those who have no resources will manage until June, Sunak said the welfare payments system had also been changed, so self employed people will be able to make a universal credit application and should receive an emergency payment within days, and they will also be eligible to apply for business continuity loans where they have a business bank account.

The Chancellor said that the operational complexity of devising the scheme had also thrown into relief what he termed the 'inconsistency' of current tax policy, given that the planned intervention for the self employed marked 'one of the most significant economic interventions in the history of the British state'.

'It is harder to justify the inconsistency of contributions. We are all in this together and everyone, both PAYE and self employed, is now benefiting from the same state support. When we start to come out of this and right the ship, there will be questions about ensuring equivalence in the future,' Sunak said.

FULL GUIDANCE

<https://www.gov.uk/guidance/claim-a-grant-through-the-coronavirus-covid-19-self-employment-income-support-scheme>

This scheme will allow you to claim a taxable grant worth 80% of your trading profits up to a maximum of £2,500 per month for the next 3 months. This may be extended if needed.

Who can apply

You can apply if you are a self-employed individual or a member of a partnership and you:

- have submitted your Income Tax Self Assessment tax return for the tax year 2018-19
- traded in the tax year 2019-20
- are trading when you apply, or would be except for COVID-19
- intend to continue to trade in the tax year 2020-21
- have lost trading/partnership trading profits due to COVID-19

Your self-employed trading profits must also be less than £50,000 and more than half of your income come from self-employment. This is determined by at least one of the following conditions being true:

- having trading profits/partnership trading profits in 2018-19 of less than £50,000 and these profits constitute more than half of your total taxable income
- having average trading profits in 2016-17, 2017-18, and 2018-19 of less than £50,000 and these profits constitute more than half of your average taxable income in the same period

If you started trading between 2016-19, HMRC will only use those years for which you filed a Self-Assessment tax return.

If you have not submitted your Income Tax Self-Assessment tax return for the tax year 2018-19, you must do this by 23 April 2020.

HMRC will use data on 2018-19 returns already submitted to identify those eligible and will risk assess any late returns filed before the 23 April 2020 deadline in the usual way.

How much you'll get

You'll get a taxable grant which will be 80% of the average profits from the tax years (where applicable):

- 2016 to 2017
- 2017 to 2018
- 2018 to 2019

To work out the average HMRC will add together the total trading profit for the 3 tax years (where applicable) then divide by 3 (where applicable), and use this to calculate a monthly amount.

It will be up to a maximum of £2,500 per month for 3 months.

We'll pay the grant directly into your bank account, in one instalment.

How to apply

You cannot apply for this scheme yet.

HMRC will contact you if you are eligible for the scheme and invite you to apply online.

Individuals do not need to contact HMRC now and doing so will only delay the urgent work being undertaken to introduce the scheme.

You will access this scheme only through [GOV.UK](https://www.gov.uk). If someone texts, calls or emails claiming to be from HMRC, saying that you can claim financial help or are owed a tax refund, and asks you to click on a link or to give information such as your name, credit card or bank details, it is a scam.

After you've applied

Once HMRC has received your claim and you are eligible for the grant, we will contact you to tell you how much you will get and the payment details.

If you claim tax credits you'll need to include the grant in your claim as income.