

Self-Employment Income Support Scheme (SEISS)

The Chancellor has announced (29 May 2020) an extension to Self-Employed Income Support Scheme (SEISS) grants for the self-employed. A second grant will be available for the period June to August but this time at the slightly lower level of 70% of average monthly trading profits up to a maximum payment of £6,750. The first grant covered March to May at 80% of average monthly trading profits up to a maximum payment of £7,500 and claims for the first grant close soon – claims must be made by **13 July 2020**.

As before, there are exemptions and people that fell between the cracks last time will do so again but broadly speaking, if you were eligible for the first grant (March to May) then you should qualify for the second grant. However, you do not have to have claimed the first grant to be eligible for the second. The grants are UK-wide.

To qualify:

Grants will be based on your tax return data, calculated as an average of 80% (70% second grant) of your monthly profits for the 2016-17, 2017-18 and 2018-19 tax years capped at £2,500 (£2,250 second grant) per month. The eligibility criteria remain the same:

- You must earn most of your income from self-employment. Self-employment income must be your main income stream. This is with reference to your 2018-19 tax return, or averaged over your three-year trading history (2016-17, 2017-18 and 2018-19). A two-year period will be used if you did not trade in 2016-17.
- Your trading profits must be under £50K; above that, self-employed people do not qualify. Again, the test applies to 2018-19 or your annual average over three years (or less if you have not traded for three years). So, you can qualify under either criterion.
- Additional requirements are that until the pandemic you were still trading, you intend to continue trading once restrictions allow, and that your income has been adversely affected by the Coronavirus pandemic.
- The “intending to trade” test is subjective but we know that HMRC will look at businesses that close during 2020-21 so are advising clients to at least continue trading through the 2020-21 tax year.
- To prove that your income has been “adversely affected”, HMRC suggests you keep business accounts showing a reduction in turnover, confirmation of any coronavirus-related business loans you have received, dates your business had to close due to lockdown restrictions and dates you or your staff were unable to work due to coronavirus symptoms, shielding or caring responsibilities due to school closures.

Other criteria:

- You can claim the grant and carry on your business. So, subject to medical and social restrictions, you do not actually need to cease work.
- If you do not have 2016-17 or 2017-18 data, HMRC will look at the year or years that they do have, *i.e.* if you only have 2018-19, they will look at that one year.

- The grants are taxable (subject to income tax and National Insurance on your 2020-21 tax return, with the tax payable in January 2022).
- HMRC contacted taxpayers for phase one by email and I suspect that this will be repeated for phase two.
- People were offered a four-week extension to submit their 2018-19 tax return, which was due by 31 January 2020. The new cut-off date was 23 April 2020 was the extended filing date. HMRC has said that it will look more closely at tax returns submitted after the 26 March date that the SEISS scheme was announced.
- HMRC has also said that when calculating the grant, it will not consider amendments made to prior-year tax returns after 6pm on 26 March 2020.

To claim:

- You must make the claim yourself using [the HMRC online claim portal](#). If your agent (accountant) claims for you it will trigger a fraud alert and delay your payment.
- Claims for phase one (the three-month period March to May) started at the beginning of June and close soon. Claims must be made by **13 July 2020**. To claim you need to [login to the HMRC claim portal](#) and enter your National Insurance number, Self-Assessment Unique Taxpayer Reference (UTR), bank details and Government Gateway login.
- Claims for phase two will open in August (date tbc), again for a three-month payment.
- We expect more information on or around 12 June 2020.

Other measures for the self-employed (announced previously):

- Coronavirus Business Interruption Loans Scheme (CBILS) loans and Bounce Back Loans (BBL) are available to the self-employed.
- Self-assessment payments-on-account due in July 2020 are deferred to January 2021. Note that this will potentially increase your normal tax instalment payment in January 2021 by 50%.
- The self-employed can access universal credit with the income floor removed.

So, who is left out?

- Anyone earning more than £50K as self-employed in 2018-19 or averaged over three years.
- If you are a new business and have not filed any data, you will not qualify and will have to fall back on Universal Credit and the welfare state. This is anyone who started self-employment after April 2019 and has not filed a tax return yet, or even before that if they had a higher proportion of employment income in 2018-19.
- Owner managers of limited companies and contractors outside of IR35 (personal service companies) that pay themselves in salary and dividends; you may qualify for CJRS if you can furlough. Check our website for the latest briefing sheet on CJRS.
- Switchers – if you have incorporated your business - switched from self-employed to limited company since your 2018-19 tax return – you may receive a notice from HMRC that you can claim but you are actually ineligible; part of the SEISS claim form requires you to state that you are still trading (i.e. as a sole-trader).

- **If you do not qualify** for a SEISS grant, there is a [Discretionary Grant Fund](#) administered by Local Authorities which is open for applications until 9am 15 June 2020. And in Scotland there is a [Newly Self-Employed Hardship Fund](#).

Questions that people have asked:

I owe tax; will HMRC offset that against my grant? We think that would go against the spirit of the scheme, so we are not expecting this to happen. However, HMRC does have a general power to set your debts off against each other.

I started trading after 6 April 2019, can I submit my 2019-20 tax return early and qualify? Early filing may be appropriate if you are expecting a tax repayment but HMRC will not use 2019-20 data to pay a grant. That is the current position.

I started trading in 2017-18, how does it work? HMRC will apply the 50% test and calculate your entitlement based on your 2018-19 return or your 2017-18 and 2018-19 average. Your grant payment will be based on your two-year average.

I started trading in 2018-19, how does it work? HMRC will apply the 50% test and calculate your entitlement based on your 2018-19 return.

I was employed and then started a business in 2018-19. My employment income was higher than my self-employed income. Will HMRC average my 6 months after I became self-employed? No, this is an annual test.

I am a Director of my own limited company, do I qualify? No, but you may be able to furlough using CJRS. Check our website for the information sheet on CJRS.

I pay tax under CIS (construction Industry Scheme), do I qualify? Subject to all the other qualification criteria, yes. We see no reason why CIS should exclude you.

In my first year of trading I made very low profits. Can I use the best years? Sorry, the average will be calculated across all years that you were trading since 2016-17 to 2018-19.

Can I take another job? You can take employment or volunteer elsewhere without it affecting your eligibility for a SEISS grant. If you take alternative self-employment, there is no guidance, but our view is that your total self-employment income must still be adversely affected for you to remain eligible.

I did not claim the first grant. What can I do? You have until 13 July to claim the first grant and you do not need to have claimed the first grant to be eligible for the second.

Important: disclaimer

This information is prepared for general use to support and inform many people quickly. It was based on information available at the time of writing. The situation is changing fast and new updates may have already superseded this information. Guidance is being published in stages, so we are working with other accountants to try and make sensible interpretations of announcements about what is available. Your

personal circumstances are individual to you. If you intend to rely on this information, please check the current Government advice, check with your professional adviser or call your usual contact at Lighthouse Accounting Services, Practical CFO or Tony Down Accountants to ensure that this remains relevant and is applicable to you.