

COVID-19 Self-Employment Income Support Scheme

CIOT/ATT Webinar
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10.30am – 12.00pm

Presenters

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Agenda

This session will focus on the Self-Employment Income Support Scheme (SEISS) which has been introduced in response to the COVID-19 crisis and cover:

- What the SEISS is
- Who is eligible and who isn't
- How the grant is worked out
- How to claim the grant
- Compliance aspects

Followed by a Q&A session at the end.

Housekeeping points

- Please email questions in as we go along to www.sli.do
Event code #26754
- A recording of the webinar and the slides will be available on our websites after the end of the webinar
- Follow up questions to technical@ciot.org.uk or atttechnical@att.org.uk

Introduction to the SEISS

- Scheme to provide support to self-employed workers affected by the coronavirus outbreak
- Cash grant of 80% of their average trading profits
- Up to a maximum of £7,500 to cover three months
- May be extended
- Can continue to work, start a new trade or take on other employment
- HMRC will identify who is eligible to claim and work out the amount of the grant based on tax return data already held

Eligibility – who qualifies?

Qualifying person

- carrying on a trade that has been adversely affected by the coronavirus outbreak,
- have submitted tax returns for the relevant years to HMRC on or before 23 April 2020,
- carrying on a trade in the tax years 2018/19 and 2019/20,
- intend to continue to carry on a trade in the tax year 2020/21,
- be an individual, and
- meet the profits condition.

Who doesn't qualify?

- Started trading during 2019/20 or later
- Didn't file 2018/19 tax return by 23 April 2020
- Directors of limited companies
- Trustees
- Furnished holiday lettings businesses
- Above State Aid limits

Special cases

- Loan charge
- Resident outside the UK, or on remittance basis
- Parental leave
- Averaging (farmers and creative industries)

Eligibility – the profits condition

- The profits condition is met if **one** of the following conditions is met - either:
 - the “trading profits” in the tax year 2018/19 were £50,000 or less, but more than nil, and equal to or more than “relevant income”, or
 - the average amount of the “trading profits” for the tax years 2016/17, 2017/18 and 2018/19 was £50,000 or less, but more than nil, and the sum of those profits is equal to or more than “relevant income”, and the person carried on a trade during those three years, or
 - the average amount of the “trading profits” for the tax years 2017/18 and 2018/19 was £50,000 or less, but more than nil, and the sum of those profits is equal to or more than “relevant income”, and the person carried on a trade during those two years but not during 2016/17.

Eligibility - trading profits

“Trading profits” - $TIC - TL$

TIC = the trading income component of total income in the calculation of Income Tax liability for the year

TL = the amount of any trading loss in that year.

After allowable expenses, the trading allowance and capital allowances but before averaging claims.

If more than one trade, add profits / losses together.

Before deducting losses brought forward and personal allowance.

Eligibility – relevant income

- “Relevant income” = $TI + OI - TIC$
 - TI = the amount of total income for the year before averaging claims
 - OI = the amount of overseas income for the year where the person making a claim is a non-UK resident for that year or has made a claim for remittance basis to apply
 - TIC = the trading income component of total income in the calculation of Income Tax liability for the year (as used in the calculation of trading profits)

Relevant income broadly means non-trading income

Working out the SEISS payment

- Lower of

£7,500, and

$$3 \times \frac{(\underline{TP} \times 80\%)}{12}$$

TP is first of these to apply:

1. Average trading profits of 2016/17, 2017/18 and 2018/19
2. Average trading profits of 2017/18 and 2018/19
3. Trading profits of 2018/19

Example 1 - eligibility

John started trading in 2018/19 (on 1 October 2018)

Trading income	25,000
Trading allowance	<u>(1,000)</u>
Trading profits	24,000
Non-trading income	<u>10,000</u>
Total income	<u>34,000</u>

Trading profits = £24,000 so equal to or less than £50,000

Trading profits are greater than non-trading income so John will qualify for the SEISS.

No pro-rating is required.

Example 1 – amount of grant

- Lower of

£7,500, and

$$3 \times \frac{(24,000 \times 80\%)}{12} = £4,800$$

John will receive a payment of £4,800

Example 2 - eligibility

Ann was trading in 2016/17, 2017/18 and 2018/19

	2016/17	2017/18	2018/19	Total
Trading profits	35,000	55,000	60,000	150,000
Non-trading income	<u>20,000</u>	<u>10,000</u>	<u>20,000</u>	<u>50,000</u>
Total income	55,000	65,000	80,000	200,000

Average trading profits = £50,000 so equal to or less than £50,000

Sum of trading profits = £150,000

Sum of non trading income = £50,000 – sum of trading profits is greater so Ann will qualify for the SEISS.

Example 2 – amount of grant

- Lower of

£7,500, and

$$3 \times \frac{(50,000 \times 80\%)}{12} = £10,000$$

Ann will receive a payment capped at £7,500.

Example 3 - eligibility

Meera was trading in 2016/17, 2017/18 and 2018/19

	2016/17	2017/18	2018/19	Total
Trading profits	45,000	46,000	51,000	142,000
Non-trading income	<u>35,000</u>	<u>80,000</u>	<u>35,000</u>	<u>150,000</u>
Total income	80,000	126,000	86,000	292,000

Average trading profits = £47,333 so equal to or less than £50,000

Sum of trading profits = £142,000

Sum of non-trading income = £150,000 – sum of trading profits is less so Meera will not qualify for the SEISS.

Example 4 - eligibility

Nazheem was trading in 2016/17, 2017/18 and 2018/19

	2016/17	2017/18	2018/19	Total
Trading profit / (loss)	50,000	50,000	(10,000)	90,000
Non-trading income	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>45,000</u>
Total income	65,000	65,000	5,000	135,000

Average trading profits = £30,000 so equal to or less than £50,000

Sum of trading profits = £90,000

Sum of non-trading income = £45,000 – sum of trading profits is more than sum of non-trading income so Nazheem will qualify for the SEISS.

Example 4 – amount of grant

Lower of

£7,500, and

$$3 \times \frac{(30,000 \times 80\%)}{12} = £6,000$$

Nazheem will receive a payment of £6,000.

Example 5 - eligibility

Tom was trading in 2017/18 and 2018/19, but not 2016/17

	2017/18	2018/19	Total
Profit – trade 1	55,000	68,000	123,000
Loss – trade 2	<u>(10,000)</u>	<u>(15,000)</u>	<u>(25,000)</u>
Trading profits	45,000	53,000	98,000
Non-trading income	<u>55,000</u>	<u>50,000</u>	<u>105,000</u>
Total income	100,000	103,000	203,000

Average trading profits = £49,000 so equal to or less than £50,000

Sum of trading profits = £98,000

Sum of non-trading income = £105,000 – sum of trading profits is less than sum of non-trading income so Tom will not qualify for the SEISS.

Example 6 – eligibility

Ali has been trading for many years, but took a break between January 2017 and May 2018

	2016/17	2017/18	2018/19	Total
Trading profits	30,000	-	60,000	90,000
Non-trading income	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>30,000</u>
Total income	40,000	10,000	70,000	120,000

Ali is not eligible for the grant as his trading profits in 2018/19 are more than £50,000.

2016/17 is not taken into account and no pro-rating is required

Example 7 - partnerships

Sally and David were trading in 2018/19, sharing profits 75:25

	Sally	David	Total
Trading profits	60,000	20,000	80,000
Other income	<u>10,000</u>	<u>10,000</u>	<u>20,000</u>
Total income	70,000	30,000	100,000

David is eligible for the grant but Sally is not as her profit share exceeds £50,000.

If the partnership rules require the grant to be paid into the partnership pot the partnership should give the grant back to the partner.

How to claim

- Two step process
 - Confirm eligibility
 - Claim online
- No need to calculate amounts due
- Agents can carry out step 1, but not step 2
- For step 2, agents can help understand the grant calculation

Step 1 - check eligibility

- HMRC contacting individuals from 4 May
- Online checker: <https://www.tax.service.gov.uk/self-employment-support/enter-unique-taxpayer-reference>
- For online checker need:
 - UTR
 - NINO
- Agents can check for clients
- Will be prompted to ensure contact details correct (via Government Gateway account) / set up a Government Gateway (new quicker process)
- Will tell you if eligible and when you can claim...

Step 2 – make a claim

- Online portal opens 13 May with phased access
- Agent can't claim for clients
- Info needed
 - UTR
 - NINO
 - Gov Gateway user ID and password
 - Bank account details

Step 2 - make a claim

- Will be asked to confirm
 - Traded in 2019/20
 - Intend to continue to trade in 2020/21
 - Business adversely affected by COVID-19
 - If non-resident / remittance base user – UK trading profits at least equal to other worldwide income
- Instant response – will tell you what you can claim and how calculated
- Telephone alternative for digitally excluded
- Watch out for scams...

What happens after you claim?

- Paid in 6 working days
- Keep a copy of:
 - Calculation of grant
 - Claim reference
 - Evidence business adversely affected
- No need to 'down tools'
- Don't contact HMRC until after the 6 days is up

What if I disagree with HMRC?

- On eligibility – can ask HMRC to review
- On amount you are due – claim and then ask for a review

Compliance aspects

- Taxable and NICable as trading income
- Report on SA return
- Cash basis vs accruals*
 - Cash basis - all in 2020/21
 - Accruals – apportion between 2019/20 and 2020/21
- Need to be reported as SE income for UC and tax credits
- Rules for amended returns
- HMRC will have compliance powers to tackle fraudulent claims

* Legislation to be included in Finance Act 2020 states that the whole of the SEISS grant is treated as profits of the tax year 2020/21. No apportionment to 2019/20 is required.

Useful links

- CIOT's COVID-19 website pages:

<https://www.tax.org.uk/covid-19-latest-information-guidance-and-resources>

<https://www.tax.org.uk/policy-and-technical/covid-19-tax-technical-information>

<https://www.tax.org.uk/policy-and-technical/covid-19/self-employment-income-support-scheme>

Useful links

- ATT's COVID-19 website pages:

<https://www.att.org.uk/covid-19-latest-information-guidance-resources>

<https://www.att.org.uk/covid-19-self-employed-income-support-scheme>

- Low Incomes Tax Reform Group's COVID-19 website pages:

<https://www.litr.org.uk/tax-guides/coronavirus-guidance>

Useful links

- GOV.UK guidance on claiming a grant through the SEISS:
<https://www.gov.uk/guidance/claim-a-grant-through-the-coronavirus-covid-19-self-employment-income-support-scheme>
- GOV.UK guidance on how to work out your total income and taxable profits: <https://www.gov.uk/guidance/how-hmrc-works-out-total-income-and-trading-profits-for-the-self-employment-income-support-scheme>
- GOV.UK guidance on how different circumstances affect the SEISS:
<https://www.gov.uk/guidance/how-different-circumstances-affect-the-self-employment-income-support-scheme>

Useful links

- HMRC's Eligibility checker:
<https://www.tax.service.gov.uk/self-employment-support/enter-unique-taxpayer-reference>
- Treasury Direction:
[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/882593/SEI SS Direction Final - SIGNED.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/882593/SEI_SS_Direction_Final_-_SIGNED.pdf)

Questions



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