

COVID-19 Self-Employment Income Support Scheme

CIOT/ATT Webinar
Tuesday 7 July 2020
9.45am – 11.15am

Presenters

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Agenda

Our second webinar on the COVID -19 Self-Employment Income Support Scheme (SEISS) will provide a recap of the scheme and a look at what's new. We will cover:

- Key dates for first and second grants
- Who is eligible and who isn't
- What 'adversely affected' by coronavirus means
- How to calculate the grants
- How to claim the grants
- 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 **#9110**
- 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

Overview of the SEISS

- Scheme to provide support to self-employed workers affected by the coronavirus outbreak
- Can continue to work, start a new trade or take on other employment
- HMRC identify who is eligible to claim and work out the amount of the grants based on tax return data already held
- Grants are subject to Income Tax and Class 4 NIC
- Being extended with a second and final payment from August

First SEISS grant

- Up to a maximum of **£7,500**
- Paid in single instalment
- Worth **80%** of average monthly trading profits
- Covers 3 months' worth of profits
- It's NOT linked to a specific period (NOT March, April & May 2020)
- Must be “adversely affected” **on or before 13 July 2020**
- Must make your claim **on or before 13 July 2020**

Second and final SEISS grant

- Up to a maximum of **£6,570**
- Paid in single instalment
- Worth **70%** of average monthly trading profits
- Covers 3 months' worth of profits
- It's NOT linked to a specific period (NOT June, July & August 2020)
- Must be “adversely affected” **on or after 14 July 2020**
- Can claim second grant even if didn't claim first
- Claims process opens on **17 August**
- Must make your claim **on or before 19 October 2020**

Eligibility – who qualifies?

Qualifying person

- carrying on a trade that has been adversely affected by the coronavirus outbreak,
- submitted tax return for the tax year 2018/19 (and other relevant years) to HMRC on or before 23 April 2020,
- traded 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.

Eligibility – adversely affected

- Same qualifying conditions for both grants

BUT

- Must have been adversely affected by coronavirus **on or before 13 July 2020** to claim the first grant
- Must be adversely affected by coronavirus **on or after 14 July 2020** to claim the second and final grant

Adversely affected

HMRC Guidance

You are unable to work because you:

- Are shielding
 - Are self-isolating
 - Are on sick leave because of coronavirus
 - Have caring responsibilities because of coronavirus
-
- You've had to scale down or temporarily stop trading because:
 - Your supply chain has been interrupted
 - You have fewer or no customers or clients
 - Your staff are unable to come in to work
 - one or more of your contracts have been cancelled
 - you had to buy protective equipment so you could trade following social distancing rules

Adversely affected

- Question of fact
- Not a financial or economic test
- Based on knowledge at date of claim
- Not what happens later
- Evidence

Adversely affected – example 1

Affected both up to and after 13/14 July 2020

Pam is self-employed running a small restaurant.

- 20 March - restaurant shuts, staff furloughed
- 15 April - opens for takeaway food only
- Before 4 July – prepares for re-opening for dine-in customers
- 4 July onwards – re-opens under Govt social distancing guidelines

There are adverse effects in both periods. Pam can claim both grants.

Adversely affected – example 2

Adversely affected up to 13 July 2020 but not after

Andy is a self-employed window cleaner.

- 18 March – stops working completely
- Mid- May – starts working again for some clients
- By 13 July – working as normal

The adverse effect relates wholly to the period before 13 July 2020. There was no new adverse effect on or after 14 July 2020. Andy can claim the first grant but not the second.

Adversely affected – example 3

Adversely affected up to 13 July but not necessarily after

Raj is a self-employed electrician.

- 23 March – stops working completely
- 15 April – contract for September 2020 is cancelled
- By 13 July – otherwise working again as normal

Raj can claim the first grant. He will only be able to claim the second grant if there is an adverse effect on or after 14 July 2020.

Adversely affected – example 4

Adversely affected up to 13 July but not after

Janet is a self-employed copywriter, working from home.

- 23 March – continues to work from home during lockdown
- Before 13 July – several sales invoices long overdue
- By 31 August – all outstanding sales invoices paid

Janet can claim the first grant because she was adversely affected when she made her claim even though the invoices were later paid. She can't claim the second grant because there was no adverse effect on or after 14 July 2020.

Adversely affected – example 5

Adversely affected after 14 July but not before

Leroy is a self-employed lorry driver.

- Before 13 July – works as normal despite fear work might dry up
- August – contract with farming client for September cancelled due to coronavirus affecting recruitment of workers to pick crops

Leroy can't claim the first grant as he was not actually adversely affected before 13 July. Anticipating a future adverse effect is not enough to meet the qualifying condition. But he can claim the second grant as there was an actual adverse effect on or after 14 July 2020.

Who doesn't qualify?

- Not adversely affected by coronavirus
- Started trading during 2019/20 or later
- Didn't file 2018/19 tax return by 23 April 2020
- Completed tax return incorrectly
- Directors of limited companies
- Trustees
- Furnished holiday lettings businesses

Special cases

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

Parental Leave

- Rules extended for parental leave
- Now eligible if
 - Don't qualify already
 - Parental responsibility & caring for child aged under 12 months
 - Pregnancy or maternity
- Look at 2017/18 & 2016/17 tax returns only
- Claim first & second payment on or before 19 October 2020
- Separate claims process
- If qualify already, this change does not affect amount claimed

Eligibility for the SEISS – *profits condition*

- Need:
 - Average trading profits more than nil but no more than £50,000; and
 - Total trading profits at equal to or more than total non-trading income.
- HMRC will first look at your 2018 to 2019 Self Assessment tax return
- If you're not eligible based on the 2018 to 2019 Self Assessment tax return, HMRC will then look at the tax years 2016/17, 2017/18, and 2018/19 depending on which years you traded in.

Trading profits

- Based on SA return with no pro-rating for partial years
- After:
 - allowable expenses
 - the trading allowance
 - capital allowances
- Before:
 - averaging claims
 - losses brought forward
 - personal allowance
- If more than one trade, add profits / losses together.

Non-trading income

- Earnings
- Property income
- Dividends
- Savings income
- Pension income
- Miscellaneous income (including social security income)
- NOT capital gains

Calculating the grant

- Based on three months worth of the 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
- Figure used will depend on which years the individual traded in

First grant vs second grant

1st grant:

- Lower of

£7,500, and

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

2nd grant:

- Lower of

£6,570, and

$$3 \times \frac{(\underline{TP} \times 70\%)}{12}$$

Example 1 - eligibility

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

	2016/17	2017/18	2018/19	Total
Trading profits	55,000	55,000	45,000	155,000
Non-trading income	<u>20,000</u>	<u>10,000</u>	<u>20,000</u>	<u>50,000</u>
Total income	75,000	65,000	65,000	205,000

Trading profits for 2018/19 = £45,000 so equal to or less than £50,000

Trading profits for 2018/19 are greater than non-trading income so Lakshmi will qualify for the SEISS.

Example 1 – amount of grants

	2016/17	2017/18	2018/19	Average
Trading profit / (loss)	55,000	55,000	45,000	51,667

First grant = lower of

- £7,500, and

- $3 \times \left(\frac{51,667}{12} \times 80\% \right) = £10,333$

12

Second grant = lower of

- £6,570, and

- $3 \times \left(\frac{51,667}{12} \times 70\% \right) = £9,042$

12

Lakshmi will receive £7,500 in the first grant and £6,570 in the second grant

Example 2 - eligibility

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

	2016/17	2017/18	2018/19	Total
Trading profits	20,000	25,000	60,000	105,000
Non-trading income	<u>20,000</u>	<u>10,000</u>	<u>20,000</u>	<u>50,000</u>
Total income	40,000	35,000	80,000	155,000

Average trading profits = £35,000 so equal to or less than £50,000

Sum of trading profits = £105,000

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

Example 2 – amount of grants

	2016/17	2017/18	2018/19	Average
Trading profit / (loss)	20,000	25,000	60,000	35,000

First grant = lower of

- £7,500, and

- $3 \times (\underline{35,000} \times 80\%) = £7,000$

12

Second grant = lower of

- £6,570, and

- $3 \times (\underline{35,000} \times 70\%) = £6,125$

12

Steve will receive £7,000 in the first grant and £6,125 in the second grant

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

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

	2017/18	2018/19	Total
Trading profits / (loss)	60,000	(2,000)	58,000
Non-trading income	<u>10,000</u>	<u>20,000</u>	<u>30,000</u>
Total income	70,000	18,000	88,000

Average trading profits = £29,000 so equal to or less than £50,000

Sum of trading profits = £58,000

Sum of non-trading income = £30,000 – sum of trading profits is more than sum of non-trading income so Anna will qualify for the SEISS.

Example 4 – amount of grants

	2017/18	2018/19	Average
Trading profit / (loss)	60,000	(2,000)	29,000
First grant = lower of		Second grant = lower of	
- £7,500, and		- £6,570, and	
- $3 \times (\underline{29,000} \times 80\%) = £5,800$		- $3 \times (\underline{29,000} \times 70\%) = £5,075$	
12		12	

Anna will receive £5,800 in the first grant and £5,075 in the second grant

How to claim

- First grant - two step process
 - Confirm eligibility
 - Claim online
- No need to calculate amounts due / provide figures
- Info needed
 - UTR
 - NINO
 - Gov Gateway user ID and password
 - Bank account details
- Understand second grant will be broadly similar (details TBC)

How to claim

- First grant claims portal closes 13 July 2020
- Second grant claims portal opens 17 August (staggered entry) and closes 19 October
- If claim accepted - paid in 6 working days
- Keep a copy of:
 - Calculation of grant
 - Claim reference
 - Evidence business adversely affected
- Beware of scams

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
- Agents can help with both

Role of agents

- Agents can:
 - Carry out eligibility check
 - Help understand grant calculations
 - Assist with review requests
- Agents can't make a claim– will trigger fraud checks if attempted

Tax treatment and reporting

- Schedule 16 Finance Act 2020
- Grants subject to income tax and Class 4 NICs
- To be reported in full in 2020/21 tax return
- Tax payable by 31 January 2022
- Expect there to be a dedicated box on SA return
- Grants are outside scope of VAT

Recovery and penalty powers

- Schedule 16 Finance Act 2020
- If claimed an amount you are not entitled to – need to notify HMRC and pay them back.
- If you don't:
 - Recoverable through 100% income tax charge.
 - Penalty and interest
- Failure to notify is deemed to be deliberate and concealed if you knew you weren't entitled when you received the grant = up to 100% penalty and no reasonable excuse

Notification deadlines

- Need to notify HMRC within 90 days of later of:
 - Royal Assent to Finance Bill 2020, or
 - receipt of grant.
- For first grants - deadline will generally be 90 days from Royal Assent (likely mid-July).
- For second grants – deadline will generally be 90 days from receipt.

Do I need to pay HMRC back?

- Ordinarily no, unless
 - not eligible, or
 - HMRC have made an error calculating the grant.
- Based on facts at time of claim and receipt – no need to apply hindsight.
- If you do need to notify – make sure to do it before end of 90 day deadline.
- If not could face recovery, interest and penalty.

Do I need to pay HMRC back?

- Should repay if:
 - Didn't realise at time of grant you were ineligible (e.g. recent incorporation)
 - On reviewing HMRC calculations you believe they are wrong.
- Shouldn't need to just because:
 - Changed mind about continuing to trade later in the year (but intended to at time of claim / receipt).
 - Business recovers later in year so that, overall, your profits are in line with previous years (provided you were adversely affected when first claimed / received).

Do I need to revisit claims made by clients?

- Not necessarily – no need to go back if at time claim was made rules were understood, client was eligible and evidence kept.
- But worth checking that this was the case.
- No need to apply hindsight.
- Consider impact of 14 July date for 2nd grant – don't miss out on a 1st grant!
- PCRT and AML implications if you know someone has claimed an amount they aren't entitled to.

Questions



Useful links – CIOT website

- COVID-19 Tax technical information:
<https://www.tax.org.uk/policy-and-technical/covid-19-tax-technical-information>
- Self-Employment Income Support Scheme:
<https://www.tax.org.uk/policy-and-technical/covid-19/self-employment-income-support-scheme>

Useful links – CIOT website

- COVID-19: Latest information, guidance and resources: <https://www.tax.org.uk/covid-19-latest-information-guidance-and-resources>
- Professional Standards matters to consider as a result of COVID-19: <https://live-ciot.pantheon.io/professional-standards/consultations-articles/some-professional-standards-matters-consider-result>

Useful links – ATT website

- COVID-19: Latest information, guidance and resources
<https://www.att.org.uk/covid-19-latest-information-guidance-resources>
- COVID-19: Self-Employed Income Support Scheme
<https://www.att.org.uk/covid-19-self-employed-income-support-scheme>
- PCRT: FAQs
<https://www.att.org.uk/pcrt-faqs>

Useful links – LITRG website

- CIOT's Low Incomes Tax Reform Group's coronavirus guidance:

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

Useful links – GOV.UK

- GOV.UK guidance - check if you can claim 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 – claim a grant through the SEISS:
<https://www.gov.uk/guidance/claim-a-grant-through-the-self-employment-income-support-scheme>

Useful links – GOV.UK

- 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>
- To make a claim through the Government Gateway: <https://www.tax.service.gov.uk/self-employment-support/enter-unique-taxpayer-reference>

Useful links – Directions and Legislation

- SEISS Treasury Direction 30 April 2020:
[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/882593/SEISS Direction Final - SIGNED.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/882593/SEISS_Direction_Final_-_SIGNED.pdf)
- SEISS Extension Treasury Direction 1 July 2020:
[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/897184/SEISS Extension Direction final 19 Oct closure date - FINAL SIGNED.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/897184/SEISS_Extension_Direction_final_19_Oct_closure_date_-_FINAL_SIGNED.pdf)
- Legislation on the Taxation of Coronavirus Support Payments (in Finance Bill): https://publications.parliament.uk/pa/bills/cbill/58-01/0142/amend/finance_rm_rep_0624.pdf

Useful links – SEISS survey

- Government support for self-employed people affected by coronavirus (COVID-19) - survey emails (see 1.2):
<https://www.gov.uk/government/publications/genuine-hmrc-contact-and-recognising-phishing-emails/genuine-hmrc-contact-and-recognising-phishing-emails>

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