

Self-Employment Income Support Scheme and other recent COVID-19 tax announcements

CIOT/ATT Webinar
Thursday 8 October 2020
10:00am – 11.30am

Presenters

- **Richard Wild**
Head of the CIOT's Technical Team
- **Margaret Curran**
CIOT Technical Officer
- **Emma Rawson**
ATT Technical Officer

Agenda

- Housekeeping / signposting
- Recent COVID-19 announcements
- Self-Employment Income Support Scheme
 - Key dates for the second, third and fourth SEISS grants
 - Eligibility, grant calculations and claims
 - Compliance aspects, including record keeping, reporting grants and repaying overclaimed grants
- Q&A session at the end.

Housekeeping points

- Please email questions in as we go along to www.sli.do
Event code **#2314**
- A recording of the webinar, and the slides, will be available on our websites after the end of the webinar
- Follow up questions can be sent to technical@ciot.org.uk or atttechnical@att.org.uk

RECENT COVID-19 ANNOUNCEMENTS

Job Retention Scheme

- Currently in final stages of JRS
 - Grants for October = 60% of wages up to a cap of £1,875
 - Employers pay ER NICs and pension contributions, **and** top up employees' wages to ensure they receive 80% of their wages up to a cap of £2,500
- Will close on 31 October
- Final date for JRS claims – 30 November 2020

Job Retention Bonus

- Employer claimed for employee under JRS
- Employee continuously employed to at least 31 January 2021
- Employee paid at least £520 per month on average November to January
- £1,000 bonus payment per employee, claimable from February

Job Support Scheme

- Effective 1 November 2020 to 30 April 2021
 - Replaces JRS – clean slate
- Employee
 - Must be on an RTI submission on or before 23 September 2020
 - 1st 3 months - must be working (and paid) at least 1/3 of 'usual hours'
 - Cannot be made redundant / put on notice during a grant period

Job Support Scheme

- Employer
 - UK bank account and UK PAYE scheme
 - Large businesses (not SMEs)
 - ‘Financial assessment test’ – lower turnover due to COVID-19
 - *Expectation* that won’t be paying dividends etc
- Unworked hours
 - 1/3 paid by government (capped at £697.92)
 - 1/3 by employer
- Grant paid in arrears – through GOV.UK – process tbc
- More details to follow...

- 5% VAT rate for hospitality and tourism extended to 31 March 2021
- New VAT deferral payment scheme
 - VAT due in period 20 March to 30 June deferred to 31 March 2021?
 - Can pay the 31 March liability over 11 instalments in 2021-22
 - NEED TO OPT IN – process in place early 2021

Self-Assessment

- Enhanced time to pay for Self-Assessment taxpayers
 - 31 July 2020 POA deferred to 31 January 2021
 - Balancing payment for 2019-20, and first POA for 2020-21
 - Both CAN BE deferred for up to 12 months
 - <£30k – use the online service
 - >£30k, contact HMRC's TTP helpline

SELF EMPLOYMENT INCOME SUPPORT SCHEME

Overview of the SEISS

- Scheme to provide support to self-employed workers affected by the coronavirus outbreak
 - 2.7m claims for first grant, totalling £7.8bn, Average £2,900
 - So far 2.2m claims for second grant, totalling £5.6bn. Average £2,500.
- 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 until April 2021

Second SEISS grant

- Must make your claim **on or before 19 October 2020**
- Up to a maximum of **£6,570**
- 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

Adversely affected

- HMRC's guidance and examples
- CIOT / ATT Webinar – 7 July 2020 - examples
- Links at end

Adversely affected

- 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 grant

Adversely affected

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

Grant extension

What we know so far:

- Two further grants
 - Third grant covers 3 months from November 2020 to January 2021
 - Fourth grant covers three months from February to April 2021
- Third grant is up to a maximum of **£1,875**
- Worth **20%** of average monthly trading profits
- Qualifying period is between 1 November 2020 and date of claim
- Claims process to be announced in due course
- Level of fourth grant to be set in due course

Grant extension – who's eligible?

- Can claim even if didn't claim previous two grants
- Starting point is whether eligible for previous two grants
- BUT with important differences:
 - Must be actively continuing to trade
 - And intend to continue to trade
 - But facing reduced demand due to COVID-19
- HMRC guidance expected

Example 1

Adversely affected up to 19 October 2020

From November 2020 actively continues to trade but with reduced demand

Pam is self-employed running a pub and restaurant.

- 23 March - pub and restaurant shuts, staff furloughed
- 4 July onwards – re-opens under Govt social distancing guidelines.
- 24 September onwards – closes at 10pm and table service only following latest Govt guidelines

Pam can claim both the original first and second grants and the grant extension payments (third and fourth grants), assuming she actively continues to trade after 1 November.

Example 2

Adversely affected up to 19 October 2020

From November 2020 not actively continuing to trade

John is a self-employed nightclub owner.

- 23 March – shuts nightclub, furloughs staff
- By November – nightclub still shut following Govt restrictions

John can claim the first two grants but not the grant extension (third and fourth grants) as current Govt COVID-19 rules prevent him from re-opening his business.

Example 3

Adversely affected up to 19 October 2020

From November 2020 actively continues to trade but with reduced demand?

Amrita is a self-employed hairdresser.

- 23 March – shuts salon, furloughs staff
- 4 July – reopens under Govt social distancing guidelines
- Mid November – local lockdown announced, shuts salon for two weeks
- Early December – reopens salon

Amrita can claim both the original first and second grants.

What about the grant extension (third and fourth) payments?

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.

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

Eligibility for the SEISS – *profits condition*

- Need:
 - Average trading profits more than nil but no more than £50,000; and
 - Total trading profits are equal to or more than total non-trading income.
- HMRC will first look at your 2018/19 Self Assessment tax return
- If you're not eligible based on the 2018/19 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.

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

Second grant vs third grant

2nd grant:

- Lower of

£6,570, and

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

3rd grant:

- Lower of

£1,875, and

$$3 \times \frac{(\underline{\text{TP}} \times 20\%)}{12}$$

Record keeping and evidence

- Important for reporting, and in case of future HMRC questions
- Keep a copy of:
 - Amount of grant(s)
 - Claim reference(s)
 - Evidence business adversely affected in relevant period
- For third and fourth grants, also keep evidence to show:
 - Actively trading (and intend to continue to)
 - Impacted by reduced demand due to COVID-19 in relevant period

Evidence of being adversely affected

HMRC's guidance says this could include:

- Business accounts showing a reduction in turnover or increase in expenses
- Confirmation of any COVID-related business loans you have received
- Dates your business has to close due to lockdown restrictions
- Dates your staff were unable to work due to COVID symptoms, shielding or caring responsibilities.

Tax treatment and reporting

- Schedule 16 Finance Act 2020
- Grants subject to income tax and Class 4 NICs
- First and second grants:
 - To be reported in full in 2020/21 tax return
 - Tax payable by 31 January 2022
- Reporting TBC for third and fourth grants
- Expect there to be a dedicated box on SA return

Compliance – other points to note

- Grants are outside scope of VAT
- Can't (currently) join MTD for ITSA pilot if claimed
- Consider POA and student loans impact
- Can't set trading allowance against SEISS grants

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 via [online form](#)
- 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 Act 2020 (22 July 2020), or
 - receipt of grant.
- Exact deadline depends on when you received the grant:
 - Before 22 July 2020 = 20 October 2020
 - On or after 22 July 2020 = within 90 days of 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 by the 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)

Voluntary repayments

- You can make a voluntary repayment if eligible, but feel you do not need the grant received
- Can repay fully or partially
- Same online form
- Notification deadlines don't apply
- Voluntarily repaying a grant shouldn't prevent you from claiming in future rounds provided genuinely eligible

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
- PCRT and AML implications if you know someone has claimed an amount they aren't entitled to

Questions



Recordings of our previous webinars

- Our first webinar held on 7 May 2020:

<https://www.tax.org.uk/policy-technical/technical-news/self-employment-income-support-scheme-%E2%80%93-ciot-and-att-webinar-7-may>

- Our second webinar held on 7 July 2020:

<https://www.tax.org.uk/policy-technical/technical-news/self-employment-income-support-scheme-seiss-%E2%80%93-ciot-and-att-webinar-%E2%80%93>

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 - recent announcements

- Winter Economy Plan announced 24 September 2020
<https://www.gov.uk/government/news/chancellor-outlines-winter-economy-plan> and
<https://www.gov.uk/government/publications/winter-economy-plan/winter-economy-plan#policy-decisions>
- Job Support Scheme factsheet
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/921389/Job_Support_Scheme_Factsheet.pdf

Useful links – GOV.UK - recent announcements

- Job Retention Bonus
<https://www.gov.uk/government/publications/job-retention-bonus/job-retention-bonus>
<https://www.gov.uk/guidance/check-if-you-can-claim-the-job-retention-bonus-from-15-february-2021>
- Deferral of self-assessment liabilities
[https://www.gov.uk/government/news/self-assessment-customers-to-benefit-from-enhanced-payment-plans? cldee=cndpbGRAY2lvdC5vcmcudWs%3d&recipientid=contact-f1bc781339c6e711810f70106faa2721-23e94b0c39a24c9786577b3de77e63dd&esid=9cb32921-8c04-eb11-a813-000d3a86d581](https://www.gov.uk/government/news/self-assessment-customers-to-benefit-from-enhanced-payment-plans?cldee=cndpbGRAY2lvdC5vcmcudWs%3d&recipientid=contact-f1bc781339c6e711810f70106faa2721-23e94b0c39a24c9786577b3de77e63dd&esid=9cb32921-8c04-eb11-a813-000d3a86d581)

Useful links – GOV.UK - SEISS

- SEISS Grant Extension

<https://www.gov.uk/government/publications/self-employment-income-support-scheme-grant-extension/self-employment-income-support-scheme-grant-extension>

- 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 - SEISS

- 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 – GOV.UK - SEISS

- Decide if your business has been adversely affected for the Self-Employment Income Support Scheme
<https://www.gov.uk/guidance/decide-if-your-business-has-been-adversely-affected-for-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 Act 2020):
<https://www.legislation.gov.uk/ukpga/2020/14/section/106/enacted> &
<https://www.legislation.gov.uk/ukpga/2020/14/schedule/16/enacted>

Disclaimer

These notes have been produced for the guidance of delegates at the event for which they were prepared and are not a substitute for detailed professional advice.

No responsibility can be accepted for the consequences of any action taken or refrained from as a result of these notes or the talk for which they were prepared.