

## CORONAVIRUS: HELP FOR THE SELF-EMPLOYED - UPDATE

Further to the announcement made yesterday 25<sup>th</sup> March by the Chancellor and the release of further detail from HMRC, we detail out how the Self Employment Income Support Scheme works.

### How much is the relief

A taxable grant will be awarded per each month, which will be based on the lower of:

- 1) 80% of average taxable profits for each month for the last three tax years
- 2) £2,500

This is a grant not a loan so will not be repayable. However, it is taxable income and will also be assessable income for tax credit purposes.

### Who is eligible?

This is open to self-employed workers who have taxable profits less than £50,000 for 2018/19, plus over 50% of taxable earnings must arise from self-employed work.

If this condition is not met, then if the average taxable profits for three years between the 2016/17-2018/19 are under £50,000 a trader will be eligible, providing these profits make up over half of their taxable income in the corresponding period.

The trader must also be trading at the time of the application, or they would have been trading had it not been for the coronavirus crisis. In addition, the trader must show they have suffered as a result of the crisis.

Only individuals who have submitted their 2018/19 Tax Return will be eligible. If this has not been submitted yet, an individual has up until **Thursday 23 April 2020** to get this submitted to HMRC.

### How do I apply?

Enrolment is automatic, HMRC will contact you directly if you meet the qualifying criteria.

HMRC will contact you asking you to complete an online application form, then they will arrange for the monies to be paid direct into your bank account.

### Scam alert

This scheme will only be accessed through [gov.uk](http://gov.uk). If you receive a call, email or text from somebody claiming to be from HMRC who asks you to use a different link, or who asks you to give personal details over the phone do not do so, this is a scam.

## When will this be available from?

This scheme is currently being set up by HMRC and should be available from June 2020 onwards.

It has been recognised that this delay may cause a cash flow issue and it has been announced that the self-employed will have access to universal credit in full if they qualify.

Note also, the income tax payments self-employed individuals are due to make in July 2020 has been deferred to January 2021.

It is advised that businesses in need of cash flow make use of other reliefs such as the business interruption loan (more details can be found on our website).

## What about directors?

Those who pay themselves a salary and dividends through their own company are not covered by this scheme. However, they may receive money for their salary by the Coronavirus Job Retention Scheme if they are operating PAYE schemes. We still are awaiting further guidance on this.

## Unanswered questions

This announcement leaves potential unanswered questions that need resolving such as:

- What happens to an individual who started in self-employment post April 2019. HMRC will have no record of their earnings on which to make an assessment on? It appears they will not be eligible for this scheme.
- When assessing partners in a partnership, will their assessable income (and entitlement to the relief) be based on the taxable profits of the business or their own individual share. For example, a two-partner business with £80,000 of profits is not entitled to the relief. However, if it is assessed on an individual basis (£40,000 each) they should get the full relief, as their individual profit share is under the limit?
- What happens to businesses who had a dip in taxable profits due to a one off event occurring (e.g. a large item of capital equipment was purchase that qualified for capital allowances). Will they be penalised for this? Often we see individuals penalised for this when making a mortgage application, we hope HMRC will take a more considered approach. The Chancellor mentioned that is why he is based it on three years in order to recognise the volatility of self-employment income.
- What if a taxable loss is made in one of the three years used for averaging. Will that count as zero?

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Detailed guidance on this matter should be rolled out available shortly, which will hopefully address some of the concerns raised above. When this has been made available we will let you know.

Updated 26<sup>th</sup> March 2020

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**Please remember we are here to help as much as possible through these challenging times. Should you have any queries on any of the above government announcements, please contact your Partner contact.**