

## **Self-Employed Workers**

*(Latest guidance first)*

### **New Guidance and Updates**

On 17 July 2020, HMRC published new guidance on who can claim the Self-Employment Income Support Scheme grant due to their business being adversely affected by the COVID-19. Taxpayers can make a claim for the SEISS grant and will have to:

- Keep records of how and when their business has been adversely affected
- Confirm to HMRC that their business has been adversely affected by coronavirus

HMRC also updated a series of guidance pages to confirm that the second claim period opened on 17 August 2020. HMRC will now assess to see if a taxpayer is eligible and their business has been adversely affected on or after 14 July 2020. Such taxpayers must make their claim for the second grant on or before 19 October 2020. Claims for the first grant are now closed. Taxpayers can claim for the second grant even if they did not make a claim for the first grant.

1. [Decide if your business has been adversely affected for the Self-Employment Income Support Scheme](#)
2. [Ask HMRC to verify you had a new child which affected your eligibility for the Self-Employment Income Support Scheme](#)
3. [Check if you can claim a grant through the Self-Employment Income Support Scheme](#)
4. [How HMRC works out trading profits and non-trading income for the Self-Employment Income Support Scheme](#)
5. [Claim a grant through the Self-Employment Income Support Scheme](#)
6. [How different circumstances affect the Self-Employment Income Support Scheme](#)

*Updated 17 August 2020*

### **New Child – SEISS Eligibility**

- On 4 August 2020, Government updated guidance to reflect that where an individual's trading profit or total income that they reported for the tax year 2018 to 2019 was adversely affected as a result of having a child, they can ask HMRC to verify this information in order to be eligible for the SEISS.
- HMRC's existing guidance has also been updated accordingly.
- ["Ask HMRC to verify you had a new child which affected your eligibility for the Self-Employment Income Support Scheme"](#) guidance has been updated.
- ["How different circumstances affect the Self-Employment Income Support Scheme"](#) guidance has been updated.

*Updated 4 August 2020*

### **Penalties Factsheet**



On 28 July 2020, HMRC published the “*CC/FS48 Coronavirus Job Retention Scheme – receiving grants you were not entitled to*” factsheet which confirms the following:

- HMRC will use their powers to recover overclaimed Coronavirus Job Retention Scheme (CJRS) grants and issue penalties accordingly.
- Payment of the amount assessed is due 30 days after the tax assessment is issued. Interest will be charged on late payments. Late payment penalties may also be charged if the amount remains unpaid 31 days after the due date.
- If you overclaimed a CJRS grant and have not repaid it, or received an assessment from HMRC, you should notify HMRC within the notification period. The notification period ends on the latest of whichever date applies below:
  - 90 days after you receive the CJRS grant you’re not entitled to.
  - 90 days after the day circumstances changed so that you were no longer entitled to keep the CJRS grant.
  - 20 October 2020 (90 days after the Finance Act received Royal Assent).
- If HMRC have not made an assessment you must include the relevant details if the overpaid CJRS grant on the appropriate Corporation Tax return or on your 2020 to 2021 Self-Assessment tax return.
- HMRC will not charge a penalty if you;
  - did not know you had overclaimed the CJRS grant at the time you received it, or
  - at the time that circumstances changed meant that you stopped being entitled to it and
  - if you have repaid it within the relevant time period.
    - If you are a sole trader or a partner, the relevant period ends on 31 January 2022.
    - If you are a company, the relevant period ends 12 months from the end of your accounting period.
- If you fail to notify HMRC that you are chargeable to Income Tax on an overclaimed CJRS grant and you know that you were not entitled to the grant then the failure will be deliberate and concealed. This means a penalty of up to 100% could be charged.
- HMRC will not actively look for innocent errors in their compliance approach.
- Directors of insolvent companies who deliberately abused the CJRS can be made personally liable where tax cannot be recovered from the company.
- Further information on what to do if you have made an error in your claim is available in the Coronavirus Job Retention Scheme [guidance](#).

See the full factsheet [here](#).

*Updated 28 July 2020*

## Updated Guidance

On 14 July 2020, government updated the following Self-Employment Income Support Scheme pieces of guidance:

- [Claim a grant through the Self-Employment Income Support Scheme](#) – Updated to confirm that the online service for the first grant is now closed.
- [Check if you can claim a grant through the Self-Employment Income Support Scheme](#) – Updated to confirm that the online service for the first grant is now closed. Further information has been added about the second and final grant.
- [Tell HMRC and pay the Self-Employment Income Support Scheme grant back](#) – New guidance has been added on paying back the grant.



- [How HMRC works out trading profits and non-trading income for the Self-Employment Income Support Scheme](#) – Information has been added to confirm that losses are not included in the non-trading income calculation. An example has also been added to show how HMRC will work out the amount of the second and final grant; and
- [How different circumstances affect the Self-Employment Income Support Scheme](#) – Details added about what supporting evidence may be asked for if having a new child affected trading profits reported for 2018/19.

## Second Treasury Direction

On 2 July 2020, HM Treasury issued a second Treasury Direction under sections 71 and 76 of the Coronavirus Act 2020, modifies and extending the terms of the Self-Employment Income Support Scheme (SEISS).

- It allows claims for SEISS Extension Payments, which must be made between 14 July and 19 October 2020.
- The direction now includes the rules applying to those who would not otherwise have qualified for SEISS because their 2018-19 earnings had been affected by maternity, paternity, adoption leave or reserve forces duty.
- The deadline for claiming under the first round of grants is 13 July 2020.
- Claims for the second round of grants at the lower rate may be made in August with a deadline of 19 October 2020.

See the new Treasury direction [here](#).

*Updated 2 July 2020*

## New Parents Support

On 17 June 2020, Government published new guidance stating that self-employed parents whose trading profits dipped in 2018/19 because they took time out to have children will be able to claim for a payment under the self-employed income support scheme (SEISS).

The Treasury has ensured parents, including mothers, fathers and those who have adopted, who took time out of trading to care for their children within the first 12 months of birth of the child or within 12 months of an adoption placement, will now be able to use either their 2017-18 or both their 2016-17 and 2017-18 self-assessment returns as the basis for their eligibility for the SEISS.

See the update [here](#).

*Updated 17 June 2020*

## Updates to guidance

Government [guidance](#) has been updated with examples to show when the “adversely affected” criteria for the first and second grants will be met.

Claims for the first grant must be made on or before 13 July 2020.



Further [guidance](#) was updated about the extension to the scheme.

A second and final grant is able to be claimed in August 2020. If you make a claim for the second grant you will have to confirm your business has been adversely affected on or after 14 July 2020. You can claim for this grant even if you didn't claim for the first grant.

*Updated 12 June 2020*

## **Taxation of Grants**

On 29 May 2020, Government published a consultation on draft clauses to the Finance Bill 2020 "Draft legislation: Taxation of coronavirus (COVID-19) support payments".

- The legislation ensures that grants made under the Coronavirus Job Retention Scheme (CJRS) and Self-Employed Income Support Scheme (SEISS) are within the scope of tax and included as revenue for income tax and corporation tax purposes.
- This will apply to the following support payments:
  - CJRS,
  - SEISS,
  - Any other scheme that is the subject of a direction given under section 76 of the Coronavirus Act 2020 (functions of Her Majesty's Revenue and Customs in relation to coronavirus or coronavirus disease),
  - A Coronavirus Business Support Grant Scheme; and
  - Any scheme specified or described in regulations made under the draft legislation by the Treasury.
- Under the CJRS, the recipient of the grant is taxed if the employees are working in a UK taxable business (to ensure that any deduction for employee expenses met by the grant is matched by taxation of the grant covering those expenses).
- Grants paid under the CJRS in respect of employees not working for a business are outside the scope of tax.
- Under the SEISS, the recipient of the grant is taxed on the amount as if it were profits of the trade to which it relates in the 2020-21 income tax year.
- HMRC will have additional compliance and enforcement powers in relation to the CJRS and SEISS in order to recover payments in which recipients were not entitled. These powers can also be used in circumstances where a CJRS payment has not been used to pay employees, make pensions contributions, pay PAYE or National Insurance contributions.
- HMRC will have the power to recover payments, by imposing a 100% tax charge, from anyone who has received a payment under the Schemes to which they are not fully entitled or anyone who has not used a CJRS payment to pay employee costs, PAYE, NICs and make pension contributions.
- HMRC will charge a penalty if an individual's behaviour is considered to have been deliberate.
- The provisions give HMRC powers to make an officer of an insolvent company jointly and severally liable for the Income Tax charge raised in relation to any CJRS payment to which the company was not entitled or any CJRS payment which was never intended to be used to pay employee costs, PAYE, NICs and make pension contributions in certain circumstances.
- The measure will be monitored through information collected from tax returns, receipts and compliance activity.
- The measure will have effect from Royal Assent of the Finance Bill 2020.
- The consultation will close on 12 June 2020.



View the consultation [here](#).

*Updated 29 May 2020*

## **Extension**

On Friday 29th May 2020, the Chancellor announced an extension to the Self-Employment Income Support Scheme (“SEISS”).

- SEISS will be extended and those eligible will be able to claim a second and final grant capped at £6,570
- Applications for the second grant will open in August
- Individuals will be able to claim a second taxable grant worth 70% of their average monthly trading profits, paid out in a single instalment covering three months’ worth of profits and capped at the lower figure of £6,570
- Individuals can continue to apply for the first SEISS grant until 13 July 2020
- The eligibility criteria is the same for both grants – individuals will need to confirm that their business has been adversely affected by COVID-19

*Updated 29 May 2020*

## **Open to applicants**

- From 8am on 13 May 2020, those eligible for the Self-employed Income Support Scheme will be able to apply for a SEISS grant worth 80% of their average monthly trading profits.
- Payments, to be paid in a single instalment covering three months and capped at £7,500, are expected to land in bank accounts by 25 May, or within six working days of each claim.
- Applicants will be given a specific date and time slot on which to make their claim on a day between 13-18 May 2020, based on their unique tax reference number.
- Applicants must make the claim themselves. Tax agents or advisers must not claim on the applicant’s behalf as this will trigger a fraud alert and will significantly delay the receipt of payment.
- Applicants will be required to confirm to HMRC that their business has been adversely affected by coronavirus.

See the guidance on how to make a claim [here](#).

*Updated 13 May 2020*

## **Online service**

- You can [use HMRC's online tool](#) to find out if you’re eligible to make a claim.
- Your tax agent or adviser can also use the online tool on your behalf.
- You will need:



- Self-Assessment Unique Taxpayer Reference (UTR) number - if you do not have this [find out how to get your lost UTR number](#)
- National Insurance number - if you do not have this [find out how to get your lost National Insurance number](#)
- If you are not eligible, you are entitled to ask HMRC to review this decision.
- If you're eligible, HMRC will tell you the date you can make your claim from and if your claim is approved, you'll receive your payment within 6 working days.

Government also announced on 4 May 2020 that HMRC will begin contacting customers who may be eligible for the Government's Self-Employment Income Support Scheme.

See the updated guidance [here](#).

*Updated 4 May 2020*

## **Legislation**

On Friday 1 May 2020, Government published the Coronavirus Act 2020 Functions of Her Majesty's Revenue and Customs (Self-Employment Income Support Scheme) Direction setting out the legal framework that is in place for those self-employed individuals applying for the scheme.

The Direction confirmed:

- A qualifying person must meet the following criteria:
  - a. carry on a trade and their business must have been adversely affected as a result of coronavirus,
  - b. have delivered a tax return for a relevant tax year on or before 23 April 2020,
  - c. have carried on a trade in the tax years 2018-19 and 2019-20,
  - d. intend to continue to carry on a trade in the tax year 2020-21,
  - e. if that person is a non-UK resident or has made a claim under section 809B of ITA 2007 (claim for remittance basis to apply), certify that the person's trading profits are equal to or more than the person's relevant income for any relevant tax year or years,
  - f. be an individual, and
  - g. meet the profits condition.
- The "relevant tax year" is defined as any and all of the tax years 2016-17, 2017-18 and 2018-19.
- Clause 5 of The Direction sets out profit conditions that self-employed individuals must be able to allocate to themselves.
- Individuals will receive a maximum of £7,500.
- Individuals will need to have had an income (profit before tax) of under £50,000 per annum.
- The Direction provides the necessary calculation and the breakdown of the figures needed in order to reach the correct claim calculation.
- The Direction further goes on to cover trading profits, relevant income and how the Scheme will work for those who are affected by the loan charge.



Government have also announced that as of today (4 May 2020), HMRC will begin contacting customers who may be eligible for the Government's Self-Employment Income Support Scheme.

View the full Treasury Direction [here](#).

Updated 1 May 2020

### **New publication**

HMRC have published a new document describing what should be done in a variety of situations, including:

- If your return is late, amended or under enquiry
- If you're a member of a partnership
- If you're on or took parental leave
- If you have loans covered by the loan charge and have not agreed a settlement with HMRC before 20 December 2019
- If you claim averaging relief
- If you're non-resident or chose the remittance basis
- If you're above the state aid limits

See the new publication [here](#).

Updated 1 May 2020

### **Further clarification**

- More information has been added about who can claim the grant and how different circumstances can affect the scheme.
- You should not claim the grant if you are above the state aid limits or operating a trade through a trust. If you claim the grant HMRC will treat this as confirmation you are below the state aid limits.
- Grants under the Self-Employment Income Support Scheme are not counted as 'access to public funds', and you can claim the grant on all categories of work visas.

See the updated guidance [here](#).

Updated 1 May 2020

### **Further guidance**

- The online service that self-employed individuals will use to claim grants is not available yet.
- HMRC will contact self-employed individuals who made 2018/19 Self-Assessment tax returns by mid May 2020 and will make payments by early June.



- Self-employed individuals can make a claim for Universal Credit whilst they wait for the grant, but any grant received will be treated as part of your self-employment income and may affect the amount of Universal Credit received.
- You will need to confirm to HMRC that your business has been adversely affected by coronavirus.
- Trading profits must also be no more than £50,000 and more than half of your total income for either;
  - The tax year 2018/19
  - The average of the tax years 2016/17, 2017/18 and 2018/19
- The deadline of 23 April 2020 still stands to submit Self-Assessment tax returns for 2018/19
- The taxable grant will be based on average trading profits over 3 tax years (2016/17, 2017/18 and 2018/19)
- To calculate trading profits, HMRC will use the figures on your tax returns for your total trading income (turnover), and then deduct any allowable business expenses and capital expenditure.
- The guidance includes examples of allowable expenses.
- Personal allowance and any losses carried forward from previous years will not be deducted from trading profits.
- If you have more than one trade in the same tax year, HMRC will add together all profits and losses for all these trades to work out your trading profit.

See the new guidance 'How HMRC works out total income and trading profits for the Self-employment Income Support Scheme' [here](#).

See the updated guidance 'Claim a grant through the coronavirus (COVID-19) Self-employment Income Support Scheme' [here](#).

*Updated 15<sup>th</sup> April 2020*

## Initial guidance

- Government announced the facility for self-employed workers to claim a grant through the **Self-employment Income Support Scheme** on 26 March 2020
- The Scheme makes provision to top up self-employed workers' income during the COVID-19 outbreak by payment of a taxable grant
- Payments will be made to self-employed individuals or members of a partnership whose trading profits in 2018/19 were less than £50,000 and represented more than 50% of their taxable income
- To be eligible for the Scheme, the individual must have filed a self-assessment tax return for the 2018/19 tax year (or do so by 23 April 2020)
- The taxable grant will be 80% of the average profits in tax years 2016/17, 2017/18 and 2018/19, up to a maximum of £2,500 per month, initially for 3 months (March to May 2020)
- It is anticipated that payments will be made in June 2020
- Individuals can claim where they have lost trading profits because of the Covid-19 outbreak but they will qualify even if they are still working
- There is no claim process – HMRC will contact qualifying individuals

See the guidance on claiming a grant [here](#).





*Updated 27 March 2020*

*The information changes so rapidly and we will try our best to keep you updated but for full and accurate updates, we would recommend checking the Government website.*