

## The Self-employment Income Support Scheme

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### Introduction

Since introducing the Coronavirus Job Retention Scheme for furloughed employees, which sought to provide income protection for those employees that would otherwise have been laid off during the coronavirus outbreak, the UK Government has been under pressure to put in place a comparable scheme to protect the self-employed.

### What is the Self-employment Income Support Scheme?

The Self-employment Income Support Scheme (the 'Scheme') is the UK Government's attempt to provide income protection for the self-employed. In short, the Scheme provides those eligible with a cash grant worth 80% of their average monthly trading profit over the last three qualifying years.

### Who is eligible for support?

In order to qualify for a grant under the Scheme, you will need to comply with the following criteria:

- (a) You must be a self-employed individual or member of a partnership. Logically, the former relates to sole traders and the latter relates to all forms of partnership (including limited partnerships and LLP's).
- (b) You must have submitted your Income Tax Self-Assessment tax return for the tax year 2018-19.
- (c) You must have traded in the tax year 2019-20.
- (d) You must either (i) be trading when you apply, or (ii) be able to show that you would have been trading except for COVID-19.
- (e) You must intend to continue to trade in the tax year 2020-21.
- (f) You must have lost trading or partnership trading profits due to COVID-19.
- (g) Your self-employed trading profits must also be less than £50,000. See the calculation method below.
- (h) More than half of your income must come from self-employment.

### How to calculate your trading profits for the Scheme?

You must satisfy one of the following conditions. You must have:

- (a) trading profits/partnership trading profits in 2018-19 of less than £50,000; or
- (b) average trading profits in 2016-17, 2017-18, and 2018-19 of less than £50,000;

and, in each case, those profits must constitute more than half of your average taxable income in the same period.

Where you started trading as an individual or as a member of a partnership between 2016 and 2019, HMRC will only use those years for which you filed a Self-Assessment tax return.

## Can you work whilst receiving Scheme support?

Yes. The self-employed may continue to work whilst they receive support under the Scheme. This differs from the Job Retention Scheme, under which the relevant employee should not be working.

## Who is not eligible for support?

Whilst the Scheme has been welcomed and may assist many self-employed people through the coronavirus outbreak, some individuals will not qualify for support or some of their income will not be taken into account. There are notable exclusions from the Scheme, including the following:

- (a) **Recently self-employed** – You will not be eligible if you became self-employed after the end of the 2018-19 tax year.
- (b) **Directors of owner managed companies** – Individuals often establish companies and run their business through those companies. There are numerous reasons why this structure may be adopted. It appears that the Company Directors of those companies (often one-man bands) will not be eligible. They are usually paid a combination of salary and dividends, neither of which qualify under the Scheme and they will not be trading as an individual or member of a partnership. They may be able to get some support using the Job Retention Scheme if they are paid through PAYE.
- (c) **Loss-making businesses** – Where your business traded prior to the end of the 2018-19 tax year, but made losses (or no profit) during that period (in line with the Scheme's calculation methodology) then you will not be entitled to any payment under the Scheme even if you subsequently made profits in the 2019-20 tax year until the coronavirus outbreak.

## What support can be obtained?

You will be able to obtain a taxable grant, which will be 80% of the average profits from the relevant tax years between 2016 and 2019. By way of example, where you have been self-employed or a member of a partnership in all 3 years (and meet the other requirements), your average profits will be the total trading profit for the 3 tax years divided by 3. That can then be used to calculate a monthly sum.

The maximum sum payable will be £2,500 per month for 3 months. The sum to which you are entitled will be paid by HMRC directly into your bank account, in one instalment.

## How can support can be obtained?

You cannot apply under the Scheme yet. It is currently intended that HMRC will contact you if you are eligible for the Scheme and invite you to apply online.

Once HMRC has received your claim and you are eligible for the grant, HMRC will contact you to tell you how much you will get and the payment details.

HMRC will use data on the 2018-19 returns already submitted to identify those eligible. If you have not submitted your Income Tax Self-Assessment tax return for the tax year 2018-19, you must do this by 23rd April 2020. It should be noted that Robert Jenrick, the Communities Secretary, has stated that self-employed workers who are unable to provide full financial records going back 3 years should "give us what they've got and we will work through it with HMRC to see if there's a way to support you". It is unclear what that will mean in practice.

## When will payments be made under the Scheme?

It is currently intended that HMRC will start making payments under the Scheme from the beginning of June 2020. These payments will relate to March, April and May 2020.

The delay in making the payments appears to be due to (a) the extension to finalising 2018-19 tax returns, which is a key eligibility criterion, (b) the consequent delay in processing those delayed returns, and (c) the fact that it is a totally new scheme, which HMRC needs time to set up.

## Will the payments under the Scheme be taxable?

Yes. Any sum received under the Scheme will need to be declared on tax returns relating to the current tax year (that is, by the end of January 2022).

## What other support may be available?

Where individuals do not qualify under the Scheme or they are unable to wait until June 2020 for the payments to be made under the Scheme, for financial reasons, then they may wish to consider taking advantage of some of the other UK Government measures, such as business interruption loans, universal credit and/or deferred tax payments.

If you would like more information about the Self-employment Income Support Scheme, please visit [www.orrlichfield.com](http://www.orrlichfield.com) or email [enquiries@orrlichfield.com](mailto:enquiries@orrlichfield.com).



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