



Thomas More Chambers

The COVID-19 Self-Employment Income Support Scheme

On 26 March 2020 the Chancellor of the Exchequer announced a package of support for Britain's self-employed workers to help them through the COVID-19 crisis. It became immediately clear that higher earners making profits above £50,000 would lose out. The Chancellor, however, highlighted that it would benefit 95% of people who receive the majority of their income from self-employment and that it was “reasonable, proportionate and fair” to exclude those higher earners. The Treasury estimated that this approximately 3.8 million people would benefit.

In this article, we provide an overview of the Self-employment Income Support Scheme (“the Scheme”), its eligibility criteria as at the time of writing, and a few notable issues.

The current guidance on the Self-employment Income Support Scheme can be found here: <https://www.gov.uk/guidance/claim-a-grant-through-the-coronavirus-covid-19-self-employment-income-support-scheme>.

Eligibility

A self-employed individual or member of a partnership can claim if they meet all of the following criteria:

- They have submitted their Self Assessment tax return for the tax year 2018 to 2019.
- They have traded in the tax year 2019 to 2020.
- They are trading when they apply, or would be but for COVID-19.
- They intend to continue to trade in the tax year 2020 to 2021.
- They have lost trading profits due to COVID-19.



- Their trading profits must be no more than £50,000 for either the tax year 2018 to 2019 **or** the average of the tax years 2016 to 2017, 2017 to 2018, and 2018 to 2019.
- The trading profits must be more than half of the self-employed individual's total income for either the tax year 2018 to 2019 **or** the average of the tax years 2016 to 2017, 2017 to 2018, and 2018 to 2019.

The current guidance also states that you will need to “*confirm to HMRC that your business has been adversely affected by coronavirus*”. Further, the Scheme does not prevent people from continuing to work, either through their original trade or by taking a new job.

What does the scheme provide?

The Scheme will cover 80% of a self-employed individual's average monthly profits up to a maximum of £2,500 per month. Currently it will be available for three months, but this may be extended.

The money will come in the form of a taxable cash grant, paid by the end of June after a self-employed person has applied to HM Revenue & Customs. This grant will be based on the average trading profit over the three tax years: 2016 to 2017, 2017 to 2018 and 2018 to 2019. HMRC will add together the total trading profits or losses for the three tax years, then divide by 3.

It is important to note that if the self-employed individual has not submitted Self Assessment tax returns for all three years, HMRC will work out the average trading profit based on continuous periods of self-employment, which will be either:

- The tax years 2017 to 2018 and 2018 to 2019.
- The tax year 2018 to 2019 only, even if they were self-employed in the tax year 2016 to 2017.



Issues with the Scheme

Adverse effect on your business. The guidance on eligibility states that the self-employed individual making a claim will need to confirm to HMRC that his or her business has been adversely affected by coronavirus. In this context it also states that HMRC will as usual use a risk based approach to compliance. No further guidance has currently been provided on this issue. Presumably a primary consideration as to whether there has been an “adverse affect” will be a loss of trading profits, not least because this is now identified as an eligibility requirement. But what level of trading profit loss? Over what period must there be a trading profit loss? What other factors can a self-employed individual rely upon when confirming to the HMRC that his or her business has been adversely affected by coronavirus?

Owner/managed companies will not benefit from the Scheme. Whilst some might be eligible for the job retention scheme, which similarly pays 80% (up to a £2,500 cap) of a furloughed worker’s salary, others who pay themselves a very small salary and take the rest of their income in dividends will lose out.

Those who became self-employed after April 2019 are ineligible. Those who have only become self-employed recently, not therefore filing a tax return for 2018 to 2019 will lose out under the Scheme. Further, those who have not submitted their self-assessment returns for 2018 to 2019 had until 23 April 2020 to do so to establish eligibility.

The Scheme will not launch until mid-May 2020. Designed to mirror the Job Retention Scheme (“JRS”) for employees and other workers, JRS launched successfully on 20 April 2020. The online service for the Scheme will not launch till mid-May 2020, and the first payments will only be made in ‘early June 2020’. The Scheme will pay a lump sum of up to £7,500 in June 2020 meaning those without liquid assets may struggle till then. Those with cash-flow problems will be forced to claim Universal Credit in the meantime.

Rise in short-term scams. Because the Scheme requires HMRC to first contact possible claimants, scammers have seen an opportunity and have fraudulently attempted to contact people while posing as HMRC.



How to claim

Self-employed individuals who are eligible for a grant cannot, as yet, make a claim.

The guidance states that HMRC will contact eligible self-employed individuals by mid May 2020 and invite them to claim using the GOV.UK online service.

If an eligible self-employed individual cannot claim online, the guidance states that an alternative way to claim will be available.

It may prove to be the case that some self-employed individuals who believe that they are eligible for the Scheme are not contacted by HMRC. No guidance is currently provided as to what they should do in such circumstances.

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