

HMRC updates Self-employment Income Support Scheme guidance

Beavis Morgan group

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HM Revenue & Customs (HMRC) has updated their guidance on claiming grants through the Coronavirus Self-employment Income Support Scheme.

In response to the Coronavirus pandemic, and along with a full range of support measures for businesses, the Chancellor announced that the Government would provide support to self-employed workers (including members of partnerships) in the form of a cash grant of 80 per cent of their profits, up to £2,500 per month. This is known as the Coronavirus Self-employment Income Support Scheme (SEISS).

How will HMRC work out total income and trading profits?

In the updated guidance, HMRC has confirmed that they will use the figures on your tax returns for the total trading income (turnover), then deduct any allowable business expenses and capital expenditure.

Allowable expenses include:

- office costs, for example stationery or phone bills
- travel costs, for example fuel, parking, train or bus fares
- clothing expenses, for example uniforms
- staff costs, for example salaries or subcontractor costs
- things you buy to sell on, for example stock or raw materials
- financial costs, for example insurance or bank charges
- costs of your business premises, for example heating, lighting, business rates
- advertising or marketing, for example website costs
- training courses related to your business, for example refresher courses

It also includes:

- any business expenses deducted through the trading allowance
- capital allowances, used to buy assets used in your business
- qualifying care relief
- flat rate expenses

HMRC will not deduct from your trading profits:

- any losses carried forward from previous years
- your personal allowance

How much will I get?

You will receive a grant based on your average trading profits over the 3 tax years 2016/17-2018/19. If you have not submitted Self Assessment returns for all three years showing self employment income, then you will get an average based on the trading profit on a continuous period of self employment, which will be either the average for the tax years 2017/18 and 2018/19 or the 2018/19 only. The grant will be 80 per cent of your average trading profit, divided by 12 to give a monthly amount up to a maximum of £2,500 a month.

What if I haven't filed my 2018/19 tax return yet?

The scheme is for those who have filed a tax return to report income from self-employment in the tax year 2018-19. For eligible individuals who have not submitted their returns for 2018-19, you have until 23 April 2020 to do so and therefore become eligible for this scheme.

Is this grant subject to tax?

Yes – individuals will pay Income Tax and National Insurance on any payments received through this scheme, as they are replacement for income in line with normal practice for benefits or grants that replace income. The grant is recognised as income for the purposes of Universal Credit and Tax Credits and may impact the amount claimants are entitled to.

What should self-employed people do while they wait to be paid?

In the interim, self-employed individuals may be eligible for Universal Credit. The Government has provided over £6.5 billion of additional support through the welfare system for those affected by Coronavirus.

How will HMRC contact taxpayers whom they consider eligible?

The scheme is not open yet and taxpayers are being asked NOT to contact HMRC, but to wait for HMRC to contact them. HMRC will aim to contact taxpayers who are eligible for the scheme by mid-May 2020. HMRC will use tax returns already submitted to contact individuals identified as eligible and invite them to apply online through GOV.UK. For people unable to claim online there will be an alternative way to claim. Further details will be provided by HMRC shortly. We don't yet know how HMRC is intending to contact those people they identify as eligible.

⚠ BEWARE: Fraudsters are using texts, telephone calls and emails pretending to be HMRC or other Government bodies and requesting your bank account details. Do not respond! You will be asked to access the SEISS through GOV.UK only.

How the Beavis Morgan group can help?

This is an unprecedented time for businesses and individuals alike. If you have any concerns about your business or your obligations and responsibilities as an employer, we are available to assist.

Please contact your usual Beavis Morgan partner, or email info@beavismorgan.com.