

Coronavirus self-employed scheme

6th April 2020

On 26th March 2020 the government announced the self-employed income support scheme SEISS.

Here are the details so far: -

HM Revenue & Customs (HMRC) will pay a taxable grant to self-employed individuals and partners equivalent to 80% of their average trading profits for three months, capped at £2,500 per month.

How much will you get?

The government will base the amount of grant for each taxpayer on the average of their trading profits as reported in their last three tax returns for the years: 2016/17 to 2018/19. If the taxpayer started trading within this three-year period, the monthly average of profits will be calculated from the periods in which they were trading.

The taxpayer (or their tax agent) does not need to provide any figures at this stage. HMRC will arrive at the taxpayer's average earnings by totalling up the reported profit for the three tax years (or shorter period as applicable) and divide by three to arrive at a typical average year. One quarter of that average annual profit will then form the basis of the SEISS grant awarded – at the 80% rate.

The number of months covered by a SEISS grant may be extended beyond three months if the coronavirus shutdown continues beyond the end of June.

Who will not qualify?

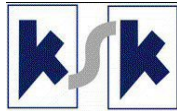
The SEISS grant will not be payable to any individual who: -

- has average annual profits of £50,000 or more – those taxpayers will get nothing
- has not submitted a tax return for 2018/19
- receive less than half of their annual taxable income from self-employed profits
- has already ceased trading permanently.

If the taxpayer has not submitted their 2018/19 tax return, they have until 23rd April 2020 to submit it in order to qualify for the grant. Penalties for late filing and late payment of tax will apply as normal.

Those who started trading on or after 6th April 2019 are not eligible for the SEISS grant. This seems harsh, but HMRC has to draw the line somewhere.

The purpose of the SEISS grant is to help traders through the coronavirus crisis. To qualify for the grant the business must have traded in 2019/20 and would still be trading if it hadn't been for the interruption to business due to the coronavirus. If the trader has taken the decision to cease trading completely, no grant is payable.



Landlords do not qualify for SEISS

Property letting businesses are not regarded as a trade, so landlords will not qualify for the SEISS grant even if more than half of their taxable income is from rental income.

Similarly, the letting of furnished holiday accommodation is not strictly a trade, although it is treated as a trade for certain pensions and capital gains tax purposes. HMRC are unlikely to consider income from furnished holiday lets as qualifying for the SEISS grant.

How will the grant be delivered?

HMRC will contact those taxpayers who are eligible for this grant and will invite them to apply for the payment online. It is not clear if this contact will be made by letter, **but it will not be by e-mail or text message.**

Don't fall victim to Fraud!

It cannot be stressed enough that fraudsters will be looking to take advantage of the current situation. Do not click any e-mail and or text messages and do not divulge your bank details. If you have any queries, please do not hesitate to contact us.

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