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TAX FACULTY



Self-employment Income Support Scheme

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Introduction to SEISS

- Four lump sum grants to self-employed and members of partnerships
- Calculated by HMRC based on data held by them
- Applications for first and second grants now closed
- Applications for third grant open from 30 November 2020, close 29 January 2021
- Details of fourth grant to be decided
- Subject to eligibility, can claim later grants if earlier ones not claimed
- Claims have to be made by taxpayer

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Eligibility conditions for all grants

- Traded in 2018/19 and 2019/20
- Intend to continue to trade
- Income based tests
 - Average trading profits £50,000 or less
 - Trading income at least equal to non-trading income (50% test)
 - Tests applied to 2018/19, if fail look at 2016/17, 2017/18 2018/19
- Trade 'adversely affected' by coronavirus

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More rules

- 2018/19 return filed by 23 April 2020
- 2016/17 and 2017/18 returns filed after 23 April 2020 disregarded
- Amendments after 26 March 2020 disregarded
- Special rules for loan charge cases, new parents and military reservists

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Adversely affected

- Unable to work due to:
 - shielding
 - self-isolating
 - coronavirus related sick leave or caring responsibilities
- Scale down or temporary cessation of trade
 - Supply chain interruptions
 - Fewer or no customers
 - Staff unable to work
 - Contracts cancelled
- Additional costs such as PPE

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Third grant – additional conditions

- Previous conditions including adversely affected still apply
- Government seeking to target support
- Additionally claimant must:
 - be currently trading but impacted by reduced demand due to coronavirus or
 - have been trading but are temporarily unable to do so due to coronavirus
 - and
 - intend to continue to trade but reasonably believe there will be a significant reduction in trading profits

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Additional conditions for third grant

Per the direction

- a) the business of which has suffered **reduced activity, capacity or demand** in that period from that which could reasonably have been expected but for the adverse effect on the business of coronavirus or coronavirus disease, and
 - b) which the claimant reasonably believes will suffer a **significant reduction in trading profits** from that which would otherwise have reasonably been expected as a result of that reduced activity, capacity or demand
- **Period for impact on trade is 1 November 2020 to 29 January 2021 but**
 - **Trading profits test applied to the whole accounting period**

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Accounting periods

Accounting period covering November 2020 to January 2021

Accounting date	Relevant accounting period(s)	Tax year
31 March or 5 April	31 March/5 April 2021	2020/21
30 April	30 April 2021	2021/22
30 December	31 December 2020 31 December 2021	2020/21 2021/22

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No longer eligible: examples

Where the **only** impact is:

- Additional costs such as PPE
- Lose contracts and don't seek to replace
- Isolation on arrival in UK

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Grant periods

- First grant – adversely affected and claimed by 13 July 2020
- Second grant – adversely affected between 14 July and 19 October 2020 and claimed by 19 October 2020
- Third grant – impacted between 1 November and 29 January 2021 and claimed by 29 January 2021
 - Applications open from 30 November 2020
- Fourth grant – February to April 2021 TBC

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Amount of grant

- Average trading profit for 3 years 2016/17 to 2018/19
 - If did not trade in 2016/17, use 2017/18 to 2018/19
 - If did not trade in 2017/18, use 2018/19 only
- First grant 80% of 3 months trading profits – capped at £7,500
- Second grant 70% of 3 months trading profit - capped at £6,570
- Third grant 80% of 3 months trading profit – capped at £7,500
- Fourth grant – level subject to review

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HMRC compliance activity

- Initial focus was on preventing criminal attacks
- HMRC has started contacting cases where trade may have ceased
- Enforcing 'adversely affected' and 'reduced activity, capacity, demand' and 'significant reduction in trading profits' challenging for HMRC
- HMRC guidance asks business to make an 'honest assessment'
- 90 days from receipt to notify and repay HMRC to avoid penalties
- Agents may need to consider a suspicious activity report

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Tax treatment and reporting

- Currently all taxable in 2020/21
 - mismatch between tax periods for impact and grant?
- Separate boxes on 2021/21 self assessment tax return
- Partners usually claim in own right
- HMRC still investigating pre-population
- Cannot join MTD for ITSA in 2020/21 if grant claimed

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Those that miss out

- Trading income more than £50,000
- Other income greater than trading income, breaching the 50% rule
- Income from property including furnished holiday lettings
- Earnings reduced because of parental leave or illness in base period
- Didn't file 2018/19 self assessment return by 23 April 2020
- Trade incorporated since 5 April 2019
- Started trading since 5 April 2019
 - Is the door open for 2019/20 starters and 2019/20 tax return data?

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Additional information

- ICAEW guidance <https://www.icaew.com/coronavirus/self-employment-income-support-scheme>
- Legislation (direction) <https://www.gov.uk/government/publications/treasury-direction-made-by-the-chancellor-under-sections-71-and-76-of-the-coronavirus-act-2020>
- HMRC guidance
 - <https://www.gov.uk/guidance/claim-a-grant-through-the-coronavirus-covid-19-self-employment-income-support-scheme>
 - <https://www.gov.uk/guidance/how-different-circumstances-affect-the-self-employment-income-support-scheme>
 - <https://www.gov.uk/guidance/how-hmrc-works-out-total-income-and-trading-profits-for-the-self-employment-income-support-scheme>
 - <https://www.gov.uk/guidance/how-your-trading-conditions-affect-your-eligibility-for-the-self-employment-income-support-scheme>
 - <https://www.gov.uk/guidance/claim-a-grant-through-the-self-employment-income-support-scheme>
 - <https://www.gov.uk/guidance/return-to-your-claim-for-the-self-employment-income-support-scheme>
 - <https://www.gov.uk/guidance/tell-hmrc-and-pay-the-self-employment-income-support-scheme-grant-back>
 - <https://www.gov.uk/government/publications/penalties-for-not-telling-hmrc-about-self-employment-income-support-scheme-grant-overpayments-ccfs47>

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Thank you for watching



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