

# Self-Employment Income Support Scheme

CIOT/ATT Webinar  
Monday 19 April 2021  
10:00am – 11.00am

# Presenters

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# Agenda

- Housekeeping
- The fourth grant
  - What's changed?
  - Who will (and won't) qualify
- A look ahead to the fifth grant
- Compliance aspects, including the claims process, treatment of amended returns and HMRC compliance activity
- Q&A session at the end

# Housekeeping points

- Please email questions in as we go along to [www.sli.do](http://www.sli.do)  
Event code **#N930**
- A recording of the webinar, and the slides, will be available on our websites after the end of the webinar
- Follow up questions can be sent to [technical@ciot.org.uk](mailto:technical@ciot.org.uk) or [atttechnical@att.org.uk](mailto:atttechnical@att.org.uk)

# Overview of the SEISS

- Scheme to provide support to self-employed workers affected by the coronavirus outbreak
  - 2.7m claims for first grant, totalling £7.8bn. Average £2,900
  - 2.3m claims for second grant, totalling £5.9bn. Average £2,500
  - 2.2m claims for third grant, totalling £6.2bn. Average £2,800
- Can continue to work, start a new trade or take on other employment
- HMRC identify who is eligible to claim and work out the amount of the grants based on tax return data already held
- Extended until September 2021

# Fourth SEISS grant

- Claims open late April 2021
- Must make your claim on or before 1 June 2021
- Worth 80% of 3 month's worth of average monthly trading profits
- Up to a maximum of £7,500
- In respect of period 1 February to 30 April 2021

# Fourth grant – what's changed?

- Conditions similar to those for previous grants, but with some important changes to eligibility and calculation
- Big change – 2019/20 tax returns will now be taken into account
- Means:
  - some individuals may qualify for a grant who have not done before
  - some individuals who previously qualified will no longer qualify
- Can claim even if didn't claim previous grants

# Eligibility

- an individual;
- carrying on a trade that has been adversely affected by the coronavirus outbreak;
- trade has suffered from reduced activity, capacity or demand; and reasonably believe will suffer a significant reduction in trading profits for a relevant basis period as a result;
- submitted 2019/20 (and any earlier) tax returns by 2 March 2021;
- traded in 2019/20 and 2020/21;
- intend to continue to carry on a trade in the tax year 2021/22; and
- meet the profits condition.



# Reduced activity, capacity or demand – a reminder

- Has to be a new or continuing impact of coronavirus between 1 February 2021 and 30 April 2021
- HMRC's guidance breaks this down into:
  - currently trading, but impacted by reduced demand due to coronavirus
  - have been trading, but temporarily unable to do so due to coronavirus
- Increased costs alone will not qualify
- Have to *reasonably believe* you will suffer a *significant reduction in trading profits* due to the reduced business activity, capacity or demand
- Forward looking test – consider impact on trading profits for the whole basis period(s) in which qualifying period falls

# Implications of taking 2019/20 into account

- Profits condition and calculation of grant now take into account data from 2019/20
- Based on returns as at 2 March 2021
- Means that:
  - Need to have filed 2019/20 tax return by 2 March 2021
  - Any amendments made up to 2 March 2021 will be taken into account
  - Any amendments made after 2 March 2021 will not be taken into account (but could lead to a repayment of the grant in future)

# Fourth grant – the *profits condition*

- Need:
  - Average trading profits more than nil but no more than £50,000; and
  - Total trading profits equal to or more than total non-trading income
- HMRC will first look at your 2019/20 Self Assessment tax return
- If you're not eligible based on the 2019/20 Self Assessment tax return, HMRC will then look at the tax years 2016/17, 2017/18, 2018/19 and 2019/20 depending on which years you traded in

# Calculating the fourth grant

- Based on three months worth of the first of these to apply:
  1. Average trading profits of 2016/17, 2017/18, 2018/19 and 2019/20
  2. Average trading profits of 2017/18, 2018/19 and 2019/20
  3. Average trading profits of 2018/19 and 2019/20
  4. Trading profits of 2019/20
- Figure used will depend on which years the individual traded in

# Calculating the fourth grant

- Lower of

£7,500, and

$$3 \times \frac{\text{TP} \times 80\%}{12}$$

# Who might benefit?

- Newly self-employed during 2019/20 (assuming they meet the profits condition)
- Traded in previous years, but 2019/20 tax return data will result in:
  - meeting profits condition for the first time (e.g. because of losses or higher trading income in previous years, or trading income lower than non-trading income)
  - receiving a higher grant (because average trading profits are higher taking 2019/20 into account)
- Filed 2018/19 tax return after 23 April 2020, but before 2 March 2021
- Amended a tax return after 26 March 2020, but before 2 March 2021 so will now meet profits condition, or receive higher grant

# Who won't benefit?

- Started trading during 2020/21
- Started trading in 2019/20 but don't meet profits condition (no pro-rating of trading income)
- Didn't file 2019/20 tax return by 2 March 2021
- No longer meet profits condition once 2019/20 taken into account (e.g. growing trade)
- Amended a tax return after 26 March 2020, but before 2 March 2021, so that no longer meet profits condition, or will receive lower grant

# Who won't benefit?

- As before
  - limited company directors
  - Trustees
  - furnished holiday lettings businesses



# Example 1

Meera worked for a large pub chain for several years, but left to set up her own pub as a sole trader on 1 October 2019

In 2019/20 she had the following:

Trading profits	24,000
Employment income	<u>20,000</u>
Total income	<u>44,000</u>

Meera will qualify for the fourth grant as her trading profits in 2019/20:

- are more than nil, and equal to or less than £50,000
- greater than her non-trading income

# Example 1 – amount of grant

- Lower of

£7,500, and

$$3 \times \frac{(24,000 \times 80\%)}{12} = £4,800$$

Meera will receive a payment of £4,800

# Example 2

Jonathan was employed as a carpenter for several years, before setting up as a sole trader on 1 January 2020

In 2019/20 he had the following:

Trading profits	10,000
Employment income	<u>15,000</u>
Total income	<u>25,000</u>

Jonathan will not qualify for the fourth grant as his trading profits are not greater than his non-trading income in 2019/20

# Example 3

Ann was trading as a builder in 2016/17, 2017/18, 2018/19 and 2019/20. She was eligible for, and claimed, all three previous grants

	2016/17	2017/18	2018/19	2019/20	Total
TP	35,000	45,000	45,000	55,000	180,000
NTI	<u>20,000</u>	<u>10,000</u>	<u>20,000</u>	<u>50,000</u>	<u>100,000</u>
Total	55,000	55,000	65,000	105,000	280,000

Ann will qualify for the further grant as:

- Average trading profits = £45,000 ( $£180,000 / 4$ ) so equal to or less than £50,000
- Sum of trading profits is greater than sum of non trading income

# Example 3 – amount of grant

- Lower of

£7,500, and

$$3 \times \frac{(45,000 \times 80\%)}{12} = £9,000$$

Ann will receive a payment capped at £7,500

# Example 4

Nazheem was trading as an accountant in 2016/17, 2017/18, 2018/19 and 2019/20. He was eligible for, and claimed, all three previous grants

	2016/17	2017/18	2018/19	2019/20	Total
TP	45,000	46,000	49,000	65,000	205,000
NTI	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>60,000</u>
Total	60,000	61,000	64,000	80,000	265,000

Nazheem will not qualify for the fourth grant as his average trading profits of £51,250 ( $£205,000 / 4$ ) are more than £50,000

# Example 5

Lucinda traded as a hairdresser in 2016/17, 2017/18, 2018/19 and 2019/20. Her business is very successful, but she took time out to travel in 2019/20. She was not eligible for the first three grants

	2016/17	2017/18	2018/19	2019/20	Total
TP	75,000	80,000	90,000	35,000	280,000
NTI	<u>10,000</u>	<u>5,000</u>	<u>10,000</u>	<u>5,000</u>	<u>30,000</u>
Total	85,000	85,000	100,000	40,000	310,000

Lucinda will qualify for the fourth grant, as her trading profits in 2019/20:

- are more than nil, and equal to or less than £50,000
- greater than her non-trading income

# Example 5 – amount of grant

- Lower of

£7,500, and

$$3 \times \frac{(70,000 \times 80\%)}{12} = £14,000$$

Lucinda will receive a payment capped at £7,500



# The fifth grant – a look ahead

- Will cover period from May to September 2021
- Applications expected to open in late July
- New aspect - amount of grant will depend upon how much turnover has decreased in the year April 2020 to April 2021:
  - 30% or more - grant will be worth 80% of 3 months' average trading profits, capped at £7,500
  - less than 30% - grant will be worth 30% of 3 months' average trading profits, capped at £2,850.

# Pre-claims checks – fourth grant

- HMRC verification letters sent to some taxpayers newly self employed in 2019/20 to check:
  - Identity, and
  - Evidence of trading
- Have until grant application window closes to respond
- Further information <https://www.tax.org.uk/policy-technical/technical-news/self-employment-income-support-scheme-%E2%80%93-fourth-grant-%E2%80%93-hmrc>.

# Claims process – fourth grant

- Online portal opens in late April with phased access
- Agent can't claim for clients
- Info needed
  - UTR
  - NINO
  - Gov Gateway user ID and password
  - UK bank account details
- Must claim on or before Tuesday 1 June 2021

# Claims process – fourth grant

- Will need to answer questions to confirm eligible, eg
  - Still self employed and intend to continue to trade
  - Reasonable belief your trading profits have reduced significantly due to coronavirus
- Instant response – will tell you what you can claim and how calculated
- Telephone alternative for digitally excluded
- Paid in 6 working days
- If disagree with calculation - claim and then challenge.
- Watch out for scams...

# Evidence – fourth grant

- Important for record keeping and in case of HMRC questions
- Keep a copy of:
  - Amount of grant
  - Claim reference
- Must keep evidence to support your claim
  - How your business has been impacted by coronavirus resulting in less business activity, capacity or demand than otherwise expected in the qualifying period
  - Why you reasonably believe your business will suffer a significant reduction in trading profits in the relevant basis period as a result

# Amendments

- Claims for fourth and fifth grants based on figures on tax returns filed on or before 2 March 2021
- Includes amendments made on or before 2 March 2021
- Amendments on or after 3 March 2021:
  - If lower your claim, must repay some of grant
  - If disqualify your claim, must repay all of grant
  - De minimis of £100
  - Must notify HMRC within 90 days
  - Amendments between 3 March and date of claim
  - Applies only to fourth and fifth grants

# Will I need to pay HMRC back?

- Ordinarily no, unless
  - not eligible, or
  - HMRC have made an error calculating the grant, or
  - tax return amended after 3 March 2021 (fourth and fifth grants only)
- Based on facts at time of claim and receipt – no need to apply hindsight
- If claimed an amount you are not entitled to – need to notify HMRC and pay them back via [online form](#)
- Can also make a voluntary repayment using same form

# Notifying HMRC of an overpayment

- Need to notify HMRC within 90 days of later of:
  - Royal Assent to Finance Act 2020 (22 July 2020), or
  - receipt of grant
- Exact deadline depends on when you received the grant:
  - Before 22 July 2020 = 20 October 2020
  - On or after 22 July 2020 = within 90 days of receipt
- If don't could face recovery via 100% income tax charge, interest and penalty
- HMRC compliance [factsheet CC/FS47](#) - assessments and penalties in relation to grant overpayments



# HMRC compliance activity

- Tackling fraudulent claims is HMRC's priority at moment
- £100m funding for Taxpayer Protection Taskforce of 1,265 HMRC staff to tackle COVID scheme fraud announced in Budget
- Cessation of trade emails – if still trading and don't reply claim for fourth and fifth grants will be blocked. See: <https://www.tax.org.uk/policy-technical/technical-news/self-employment-income-support-scheme-seiss-%E2%80%93-hmrc-%E2%80%98stopped-trading%E2%80%99>
- Future compliance activity?

# Tax treatment and reporting

- Grants subject to income tax and Class 4 NICs
- First, second and third grants:
  - To be reported in full in 2020/21 tax return
  - Tax payable by 31 January 2022
- Fourth and fifth grants:
  - To be reported in full in 2021/22 tax return
  - Tax payable by 31 January 2023
- Partnerships

# Where on the SA tax return?

- Dedicated boxes on SA return
- Box 20.1 [SA100](#): declaration that have included coronavirus support payments (inc SEISS) as taxable income when calculating profits in the period of this return
- Page TR5 SA100: incorrectly claimed coronavirus support scheme payments (inc SEISS) which you haven't already told HMRC about
- Box 70.1 [SA103F](#) & Box 27.1 [SA103S](#) : amount of SEISS grant(s) received net of amounts already repaid to HMRC or assessed by HMRC
- Similar boxes on partnership pages of the SA return (SA104)
- Helpsheets and HMRC guidance

# Compliance – other points to note

- SA pre-population APIs to include grant details
- Grants are outside scope of VAT
- Can now join MTD for ITSA pilot if claimed SEISS
- Consider impact on payments on account
- PCRT and AML implications if you know someone has claimed an amount they aren't entitled to

# Questions



# Useful links – CIOT website

- COVID-19 Tax technical information:  
<https://www.tax.org.uk/policy-and-technical/covid-19-tax-technical-information>
- Self-Employment Income Support Scheme:  
<https://www.tax.org.uk/policy-and-technical/covid-19/self-employment-income-support-scheme>

# Useful links – CIOT website

- COVID-19: Latest information, guidance and resources: <https://www.tax.org.uk/covid-19-latest-information-guidance-and-resources>
- Professional Standards matters to consider as a result of COVID-19: <https://live-ciot.pantheon.io/professional-standards/consultations-articles/some-professional-standards-matters-consider-result>

# Useful links – ATT website

- COVID-19: Self-Employed Income Support Scheme

<https://www.att.org.uk/covid-19-self-employed-income-support-scheme>

- COVID-19: Self-Employed Income Support Scheme  
FAQs

<https://www.att.org.uk/covid-19-self-employed-income-support-scheme-faqs>



# Useful links – ATT website

- COVID-19: Latest information, guidance and resources

<https://www.att.org.uk/covid-19-latest-information-guidance-resources>

- PCRT: FAQs

<https://www.att.org.uk/pcrt-faqs>

# Useful links – LITRG website

- CIOT's Low Incomes Tax Reform Group's coronavirus guidance:

<https://www.litrg.org.uk/tax-guides/coronavirus-guidance>

# Useful links – GOV.UK - SEISS

- GOV.UK guidance: Check if you can claim a grant through the Self-Employment Income Support Scheme:  
<https://www.gov.uk/guidance/claim-a-grant-through-the-coronavirus-covid-19-self-employment-income-support-scheme>
- GOV.UK guidance – claim a grant through the SEISS:  
<https://www.gov.uk/guidance/claim-a-grant-through-the-self-employment-income-support-scheme>

# Useful links – GOV.UK - SEISS

- GOV.UK guidance on how to work out trading profits and non-trading income: <https://www.gov.uk/guidance/how-hmrc-works-out-total-income-and-trading-profits-for-the-self-employment-income-support-scheme>
- GOV.UK guidance on how different circumstances affect eligibility for the scheme: <https://www.gov.uk/guidance/how-different-circumstances-affect-the-self-employment-income-support-scheme>

# Useful links – GOV.UK - SEISS

- How your trading conditions affect your eligibility for the Self-Employment Income Support Scheme (including examples on reduced demand etc): <https://www.gov.uk/guidance/how-your-trading-conditions-affect-your-eligibility-for-the-self-employment-income-support-scheme>

# Useful links – Directions and Legislation

- SEISS Treasury Directions:

<https://www.gov.uk/government/publications/treasury-direction-made-by-the-chancellor-under-sections-71-and-76-of-the-coronavirus-act-2020>

- Legislation on the Taxation of Coronavirus Support Payments (in Finance Act 2020):

<https://www.legislation.gov.uk/ukpga/2020/14/section/106/enacted> &  
<https://www.legislation.gov.uk/ukpga/2020/14/schedule/16/enacted>

- Legislation on the Taxation of Coronavirus Support Payments (Clause 32 of Finance (No 2) Bill):

<https://bills.parliament.uk/bills/2835>

# Useful links – HMRC Manual

- Business income manual – Coronavirus Support Payments general rules: <https://www.gov.uk/hmrc-internal-manuals/business-income-manual/bim40456>
- Business income manual - Coronavirus Support Payments- Specific rules & exceptions: <https://www.gov.uk/hmrc-internal-manuals/business-income-manual/bim40457>
- Business income manual – Coronavirus Support Payments – Self-employment Income Support Scheme: <https://www.gov.uk/hmrc-internal-manuals/business-income-manual/bim40458>

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