



Self-employed income support scheme (SEISS)



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During the coronavirus (COVID-19) pandemic, self-employed individuals and members of partnerships can claim a taxable grant worth 80% of their average trading profits from the last three tax years, ie 2016/17, 2017/18 and 2018/19. This is subject to a maximum of £2,500 per month for an initial three months.

The Government guidance notes that the grant is only available where income has been lost due to the coronavirus outbreak. This will be confirmed to HMRC by the individual and will be checked by HMRC using a normal risk-based approach.

The SEISS is intended to make payments by early June and claims will be backdated to March and paid in one instalment.

The grant will be taxable and subject to national insurance and will also be recognised as income for the purposes of universal credit and tax credits, but will not have to be repaid. Individuals can carry on working or take on other employment and still receive the grant.

Who will be eligible?

In order to be eligible for the grant, claimants will have to have filed a tax return for 2018/19, have continued to trade into the tax year 2019/20, intend to continue to trade into the tax year 2020/21 and be trading when the application is made, or would have been trading had the coronavirus outbreak not occurred. Claimants also must have lost trading profits due to coronavirus.

Trading profits need to be no more than £50,000 and more than half of the individual's total income for either:

- the tax year 2018/19, or
- the average of the last three tax years, ie 2016/17, 2017/18 and 2018/19

Any individuals working through their own companies and paying themselves a salary and dividend will not be eligible for this grant but may be able to get support through the coronavirus job retention scheme. This may however be a limited amount.

No three-year trading history

If the business has not been trading for the required three years, average trading profit will be based on continuous periods of self-employment, which will be either:

- the tax years 2017/18 and 2018/19, or
- the tax year 2018/19 only, even if the individual was self-employed in the tax year 2016/2017

Administration

Where a tax return has not been filed for 2018/19, there is an additional four-week window in which it can now be filed, ie before 23 April 2020. If a tax return for 2018/19 is not filed by that date, a claim cannot be made for SEISS (although see below for individuals within the disguised remuneration loan charge rules).

An individual can apply for universal credit whilst waiting for the grant to be paid, but any grant will be included in income and may affect the amount of universal credit available.

Where a farmer claims farmers' averaging (see the Averaging of profit guidance note) eligibility to the grant and the amount of the grant will be calculated using profit before the impact of averaging claims.

Calculation of trading profits and total income

In order to confirm eligibility for SEISS, the trading profits must be more than half of total income as detailed above.

HMRC has issued guidance on the calculation of trading profit and total income.

Trading profits

Trading profits will be calculated by taking total trading income from the tax returns and deducting allowable business expenses and capital amounts, these would include:

- office costs
- travel costs
- clothing expenses, eg uniforms
- staff costs
- stock and raw materials
- financial costs such as insurance and bank charges

- business premises costs
- advertising or marketing
- training courses
- the trading allowance (see the Trading allowance guidance note)
- capital allowances (see the Capital allowances overview guidance note)
- qualifying care relief, and
- flat rate expenses (see the Fixed rate deductions for expenses of unincorporated businesses guidance note)

No amounts will be deducted for losses from previous years or for an individual's personal allowance.

Where there is more than one trade, all profits and losses from the trades will be added together.

To work out the average profits for 2016/17, 2017/18 and 2018/19, all profits and losses for each of the years will be added together and divided by three. If the trade has only been running continuously for two years, the average for those two years will be taken.

The grant will be 80% of the average trading profit, divided by 12 to give a monthly amount up to a maximum of £2,500 a month.

Total income

Total income will comprise income from:

- earnings
- trading profits
- property income
- dividends
- savings income
- pension income
- miscellaneous income, including social security income

Example

In the last three years, B's pension income was £15,000, and B made the following amounts of trading profits / losses:

- trading profits 2016/17 £50,000
- trading profits 2017/18 £50,000
- trading loss 2018/19 £(10,000)

Average trading profits for the three years was £30,000

Therefore, total income was:

- total income 2016/17 £65,000
- total income 2017/18 £65,000
- total income 2018/19 £5,000

Average total income for the three years was £45,000

Even though a loss was made in 2018/19, B is eligible to claim SEISS because the average trading profit for the last three years of £30,000 was not more than £50,000 and was more than half the average total income of £45,000, ie £22,500.

How to apply

There is no application process at the moment. HMRC will use tax returns already submitted to contact those who are eligible by mid-May and invite them to apply online.



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