

community
For a better working world

COVID-19

self-employed income
support scheme

Support through difficult times

Background

If you are self-employed or a member of a partnership and have lost income due to coronavirus (COVID-19), you are entitled to apply for a grant through the Self-employment Income Support Scheme.

What is the scheme? What does it do?

This scheme will allow you to claim a taxable grant worth 80% of your trading profits up to a maximum of £2,500 per month for the next 3 months. The grants will be taxable and will need to be declared on tax returns by January 2022. This may be extended if needed due to COVID-19.

Who can apply?

You can apply if you are a self-employed individual or a member of a partnership and have:

- Submitted your income tax self assessment tax return for the tax year 2018-2019
- Traded in the tax year 2019-2020
- Are trading when you apply, or would be if not for COVID-19
- Intend to continue to trade in the tax year 2020-2021
- Have lost trading/partnership trading profits due to COVID-19

In addition to this, your trading profits must be less than £50,000 and more than half of your income must come from self-employment. This is defined as:

- Having trading profits/partnership trading profits in 2018-19 of less than £50,000 and these profits constitute more than half of your total taxable income
- Having average trading profits in 2016-17, 2017-18, and 2018-19 of less than £50,000 and these profits constitute more than half of your average taxable income in the same period

It is important to note that this scheme uses information from your Income Tax Self-Assessment tax return, which must have been submitted by 23rd April 2020.

If you started trading between 2016-19, HMRC will only use those years for which you filed a Self-Assessment tax return.

How will my trading profits be calculated?

The figures on your tax returns for your total trading income (turnover) will be used, then they will deduct any allowable business expenses and capital expenditure.

Allowable expenses include:

- Office costs, for example stationary 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:

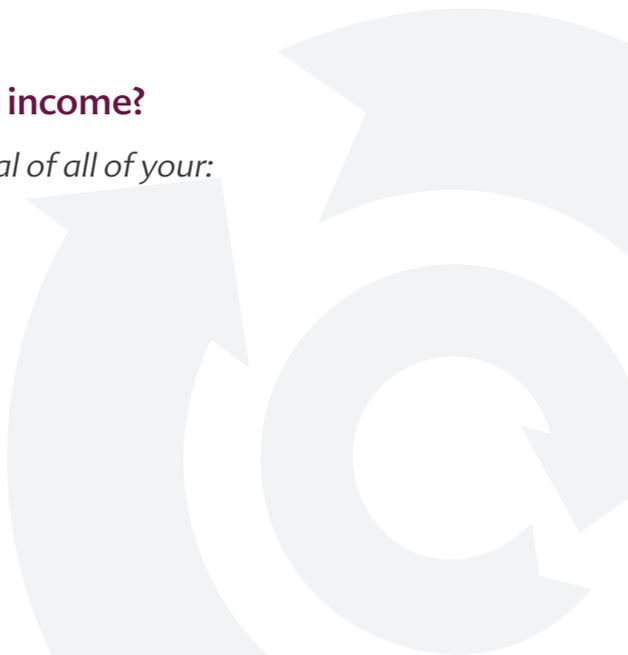
- Any business expenses deducted through the trading allowance
- Capital allowances used to buy assets used in your business
- Qualifying care relief
- Flat rate expenses

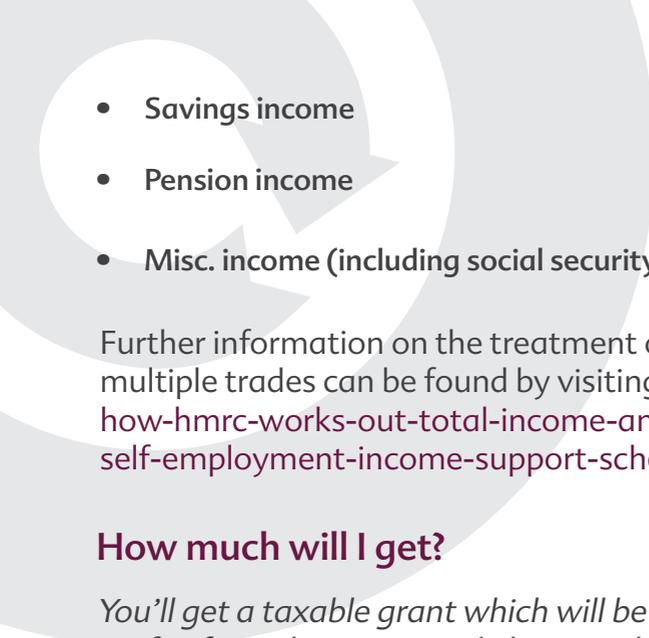
*Things that **will not** be deducted from your trading profits:*

- Any losses carried over from previous years
- Your personal allowance

What is meant by total income?

Your total income is the total of all of your:

- Income from earnings
 - Trading profits
 - Property income
 - Dividends
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- Savings income
 - Pension income
 - Misc. income (including social security income)

Further information on the treatment of losses, averaging and multiple trades can be found by visiting www.gov.uk/guidance/how-hmrc-works-out-total-income-and-trading-profits-for-the-self-employment-income-support-scheme.

How much will I get?

You'll get a taxable grant which will be 80% of the average profits from the tax years (where applicable):

- 2016-2017
- 2017-2018
- 2018-2019

To work out the average HMRC will add together the total trading profit for the 3 tax years (where applicable) then divide by 3 (where applicable) and use this to calculate a monthly amount.

This will be up to a maximum of £2,500 per month for 3 months, and the Government will pay the grant directly into your bank account, in one instalment.

The money, backdated to March, will arrive directly into people's banks accounts from HMRC, and we are pleased the date has been brought forward from June to mid-May.

How do I apply?

You can use the government's online tool to find out if you're eligible to make a claim. Your tax agent or adviser can also use the tool to check your availability on your behalf. Before you claim, you will need your:

- Self Assessment Unique Taxpayer Reference (UTR) number
- National Insurance number

Check if you can claim here: www.gov.uk/guidance/claim-a-grant-through-the-coronavirus-covid-19-self-employment-income-support-scheme#eligible

If you're eligible, you will then be told the date you will be able to make a claim from when the online service will be available (13 May 2020). If your claim is approved, you'll receive your payment within 6 working days.

If you are told you're not eligible to make a claim, you can ask HMRC to review this after you've used the online tool found here: www.tax.service.gov.uk/self-employment-support/enter-unique-taxpayer-reference

You will access this scheme only through GOV.UK. If someone texts, calls or emails claiming to be from HMRC, saying that you can claim financial help or are owed a tax refund, and asks you to click on a link or to give information such as your name, credit card or bank details, it is a scam.

What about Directors?

If you are a director of your own company and paid through PAYE you may be able to get support using the Job Retention Scheme (you can find more details by visiting www.gov.uk/guidance/check-if-you-could-be-covered-by-the-coronavirus-job-retention-scheme).

What happens after I apply?

Once you've submitted your claim, you will be told straight away by HMRC if your grant is approved. They will pay the grant into your bank account within 6 working days.

You must keep a copy of all records in line with normal self-employment record keeping requirements, including:

- The amount claimed
- The claim reference number for your records
- Evidence that your business has been adversely affected by coronavirus

You will need to report the grant:

- On your Self Assessment tax return
- As self-employed income for any Universal Credit claims
- As self-employed income and that you're working 16 hours a week for any tax credits claims

Can I continue working whilst on the scheme?

Unlike the employee scheme, the self-employed can continue to work as they receive support.

What other help can I get?

The government is providing the following additional help for the self-employed:

The Bounce Back Loan Scheme (BBLs) that enables smaller businesses to access finance more quickly during the coronavirus outbreak

- The scheme helps small and medium-sized businesses to borrow between £2,000 and £50,000
- Loan terms will be up to 6 years. No repayments will be due during the first 12 months. The government will work with lenders to agree a low rate of interest for the remaining period of the loan
- You can apply for the loan if your business is based in the UK and has been negatively affected by coronavirus (Learn more by visiting <https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-schemes/bounce-back-loans/>)

Deferral of Self Assessment income tax payments due in July 2020 and VAT payments due from 20 March 2020 until 30 June 2020

- Government will support businesses by deferring Valued Added Tax (VAT) payments for 3 months.
- Income Tax payments due in July 2020 under the Self-Assessment system may be deferred until January 2021 (you can learn more by visiting www.gov.uk/government/publications/guidance-to-employers-and-businesses-about-covid-19/covid-19-support-for-businesses#support-for-businesses-through-deferring-vat-and-income-tax-payments).

Grants for businesses that pay little or business rates

- The Government will provide additional Small Business Grant Scheme funding for local authorities to support small businesses that already pay little or no business rates because of small business rate relief (SBRR), rural rate relief (RRR) and tapered relief. This will provide a one-off grant of £10,000 to eligible businesses to help meet their ongoing business costs (you can learn more by visiting www.gov.uk/government/publications/guidance-to-employers-and-businesses-about-covid-19/covid-19-support-for-businesses#support-for-businesses-that-pay-little-or-no-business-rates).

Universal Credit

- You can make a claim for Universal Credit while you wait for the grant, but any grant received will be treated as part of your self-employment income and may affect the amount of Universal Credit you get. Any Universal Credit claims for earlier periods will not be affected.
- Universal Credit standard allowance has been increased by £20 per week. This is a payment to help with your living costs and is paid monthly. You will be able to get it if you're on a low income or out of work.
- It is a means-tested benefit, and only those with low household incomes or savings less than £16,000 are eligible for help. However, if you have savings to pay tax, put a note of this in your online Universal Credit journal and inform them when they call and this should be discounted from the calculations. For couples who live together entitlement is assessed against your joint earnings and other income
- Advance payments are now payable from day one (of a valid claim), however Universal Credit are loans and not grants and the advance payments must be re-paid.
- Payment will take five weeks to be made (you can learn more by visiting www.gov.uk/universal-credit).

Business Interruption Loan Scheme

- A Business Interruption Loan Scheme has been created to support primarily small and medium-sized businesses to access bank lending and overdrafts.
- The Government will also make a Business Interruption Payment to cover the first 12 months of interest payments and any lender-levied fees, so smaller businesses will benefit from no upfront costs and lower initial repayments.
- The Government will provide lenders with a guarantee of 80% on each loan (subject to pre-lender cap on claims) to give lenders further confidence in continuing to provide finance to SMEs. The scheme will be delivered through commercial lenders, backed by the government-owned British Business Bank (you can learn more by visiting www.gov.uk/government/publications/guidance-to-employers-and-businesses-about-covid-19/covid-19-support-for-businesses#support-for-businesses-through-the-coronavirus-business-interruption-loan-scheme).

Get in touch

If you're having difficulty or problems at work during the Covid-19 pandemic, get in touch with our Member Service Centre by calling **0800 389 6332** or emailing **servicecentre@community-tu.org**.

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