COVID-19: update on the Self-Employment Income Support

General Features

29 October 2020

An extension to the Self-Employment Income Support Scheme was announced by the Chancellor on 24 September 2020 and a further announcement made on 22 October 2020. Those eligible will be able to claim two additional payments between 1 November 2020 and the end of April 2021.

A factsheet has been published by HMRC (see tinyurl.com/y49wq8wp) and at the time of writing we are waiting for further HMRC guidance on how the extension will operate and when the claims process will open. It is expected that the claims process for the third and fourth payments will be similar to the process for the first two Self-Employment Income Support Scheme (SEISS) payments.

A person can claim the third and fourth payments even if they did not claim either of the two previous payments. The third payment will be worth 40% of average monthly trading profits, paid out in a single instalment covering three months' worth of profits and capped at £3,750. The amount of the fourth payment will be set in due course. The method for calculating the third and fourth payments will be the same as for the first two payments.

The government has stated that the extension to the scheme is designed to provide broadly the same support to the self-employed as is being provided to employees through the new Job Support Scheme.

The level of the third payment is lower than the previous two payments, which were based on 80% and 70% of average monthly trading profits respectively. According to HMRC's published figures, the average amount paid out to those who claimed the first payment was approximately £2,900, and for the second £2,500, so it is likely that the average award for the third payment will be between £1,000 and £1,500.

It is expected that the starting point for assessing if a person qualifies for the third and fourth payments will be that they were eligible for the first two payments. This means that in order to qualify, a person must:

- be either a self-employed individual or a partner in a partnership;
- have submitted a tax return for 2018/ 19 on or before 23 April 2020;
- have traded in the tax years 2018/ 19 and 2019/ 20, and intend to continue to carry on a trade in the tax year 2020/ 21; and
- meet the 'profits condition'.

A person who started self-employment during 2019/20 will therefore not qualify for the third and fourth payments despite the fact that they may have already submitted their 2019/20 tax return to HMRC.

A person will need to declare when they make their claims for the third and fourth payments that they intend to carry on trading, and either that they are currently actively trading but the business is impacted by reduced demand due to coronavirus or that they were previously trading but are temporarily unable to do so due to coronavirus. HMRC will be publishing guidance to explain what these conditions mean.

Ongoing work

The CIOT and ATT are continuing to work with members and HMRC to address queries on the scheme and provide support. The CIOT and ATT held a webinar which provided an update on the SEISS and other recent COVID-19 tax announcements on 8 October 2020.

A recording and the slides are on the CIOT website (see www.tax.org.uk/SEISSwebinarOct) and the ATT website (see www.att.org.uk/SEISSwebinarOct).

All the latest information about the SEISS can be found on the ATT and CIOT websites. The CIOT pages (see tinyurl.com/tg2qpo4) are frequently updated as we receive more information, as are the ATT detailed guidance notes (see tinyurl.com/y83kycjy) and accompanying FAQs (see tinyurl.com/yaufvsnn).

Please continue to send your queries and feedback on the scheme to either: technical@ciot.org.uk or atttechncial@att.org.uk, and do keep an eye on our websites for all the latest information