



A E Accountancy

Services Ltd

Government Help for the Self-Employed

Last night the Chancellor announced financial support for the self-employed – i.e. sole traders and partners. Here are the basics we know so far:-

- It's based on your trading profits in the three years to 05 April 2019.
- You will receive 80% of your average monthly earnings over that period, up to £2,500. Initially for the three months i.e. 3/12^{ths} of your average annual earnings.
- It will be paid in June. It comes in the form of a grant, meaning it is not repayable.

The full government rules on the self-employed are set out here:-

<https://www.gov.uk/guidance/claim-a-grant-through-the-coronavirus-covid-19-self-employment-income-support-scheme>

Mechanics

- You must make sure you have submitted a 2018/19 tax return within the next 4 weeks (if you are late (after 31 January 2020) you will still have penalties).
- HMRC will send you a claim form in late May or early June 2020.
- You will be required to fill in the form (with our help as required).
- HMRC will send you the money.

Who it does NOT cover

- Those whose trading profits are higher than £50,000 on average over the three years to 05 April 2019. There is no taper, it is an all or nothing rule.
- Those who earn through a Limited Company – you may be able to furlough your salary if you do no work. If you are a director for a limited company, you are employed, not self-employed.
- Those who started trade after 05 April 2019.
- Those who earn less than 50% of their income via Self Employment. Those whose self-employed trading profit, on average over the three years to 05 April 2019, is less than half your total income. (i.e. if you also get a salary and your salary is the larger part of your income). You need to look to your employer, and perhaps the furlough rules.
- ***Those who have not lost any income due to the Coronavirus.***
- Those whose self-employment does not continue through into 2020/21. Therefore, you must restart your trade after the shutdown to claim.

By excluding a number of groups, particularly those who earn through a limited company and those who started trade after 05 April 2019, there will be hardship; if you are in that group all you can do is look to the benefit system and universal credit.

What if I don't have 3 years trading?

If you do not have three years to 05 April 2019, your income will be averaged over the period you actually traded.

What if you started trading halfway through 2017/18?

The strong implication is that they will take the average of the two years where you have submitted tax returns. (i.e. your declared profits for the two years divided by 2). The whole of the year you started will be taken regardless of the exact date you started.

What if I have two self-employments?

The rules do not specifically say, but we would assume it is the average of the two combined.

What if I bought a van or other larger capital purchase?

The HMRC are basing their calculations on your 'Trading' Profits, not the 'Taxable' Profit, therefore any profits reduced by claiming capital allowances is ignored.

What if my profits average £48,000pa and I also have a £10,000pa employment?

You qualify because your self-employment is less than £50,000.

Husband and wife partnerships where you each have taxable profits of £40,000.

You both qualify, although your joint income is over £50,000 this is calculated on an individual basis not as a couple.

What if I've found a job?

The intention is to compensate you for loss of earnings, if you have not lost earnings it is unlikely you can claim in full. This is not specifically addressed in the briefing.

Is the grant taxable?

Yes.

Tax increase

There will be no changes to the tax rates for 2020/21. It is very likely Class 4 National Insurance for the self-employed will increase from 9% to 12% in the following year.

A Reminder of Other Help (previously announced)

- Your self-assessment tax payment on 31 July 2020 is optional, you can roll it into the payment on 31 January 2021, but you will need to pay it eventually.
- If you have business premises with a £nil rates bill, you should get the £10,000 grant in April.
- Other grants will be issued, see the following links for more details:-

<https://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>

<https://www.gov.uk/government/publications/guidance-to-employers-and-businesses-about-covid-19/covid-19-support-for-businesses#support-for-retail-hospitality-and-leisure-businesses-that-pay-business-rates>

- The self-employed grant will be released in June, if you can't last until then government advice is:-
 - Take a three-month mortgage holiday.
 - Get a government sponsored loan from your bank.
 - You don't have to pay VAT for the quarterly payment to 30 June 2020 but you will need to catch up by 05 April 2021.
 - Claim Universal Credit – the criteria for Self Employed has recently changed to make this easier.

If you would like any further support and advice with the announcements made by the government, please contact us.