



CORONAVIRUS COVID-19 – EXTENSION TO SELF EMPLOYMENT INCOME SUPPORT SCHEME (SEISS)

BACKGROUND

As a Self employed taxpayer (and/or a sole trader), you should already have had the benefit of some financial support via the Coronavirus (COVID) **Self Employment Income Support Scheme (SEISS)**, *on the proviso that you met the specific eligibility criteria for the scheme.*

The SEISS has therefore provided **taxable grants** of up to 80% of a Self Employed taxpayer's average monthly trading profits, to a maximum of 3 months average profits/£7,500 in total, to many taxpayers since June 2020.

Given the SEISS scheme was meant to be a short term financial support for the Self employed, as has recently occurred with the CJRS scheme (for employees), it has now been extended beyond it's original June 2020 deadline, **to 19th October 2020.**

This extension period is being referred to as '**the Second and Final Grant**' period, and it should be noted that the payment of grants under the original SEISS scheme (**the First Grant**) *will be closed to new applications after 13th July 2020.*

SEISS EXTENSION

1. Under the terms of the original SEISS scheme (**the First Grant**), Self Employed taxpayers that were eligible, could make a claim for up to 80% of their average monthly trading profits, to a maximum of 3 months average profits/£7,500 in total.

The grant once applied for and accepted by HMRC, was payable in a single lump sum amount.

Please note – if not already applied for, the **First Grant** will be closed to new applications after **13th July 2020.**

2. Now under the terms of the extended SEISS scheme (**the Second and Final Grant**), Self Employed taxpayers that are eligible (see below), can make a claim for up to 70% of their average monthly trading profits, to a maximum of 3 months average profits/ £6,570 in total.

Again following a successful application to HMRC, the grant will be paid in a lump sum directly to the taxpayer.

It is understood that the application process for the '**Second and Final Grant**' will open on **17th August 2020**, with the online checking and application process being similar to that of the original scheme (**the First Grant**).

ELIGIBILITY CRITERIA

The eligibility criteria for the extended SEISS scheme have remained the same as for the original scheme, however please note that the taxpayer's business **MUST** have continued to be adversely impacted by the COVID 19 situation:

- There must have been a Self Assessment tax return for 2018/19 submitted to HMRC (which included self-employment profits) i.e. **if you only commenced after 2018/19, then you will not be eligible for the scheme**
- The Self employment (Sole trader) business must been '**adversely affected**' by the Coronavirus (COVID 19) situation **on or after 14 July 2020**
- Annual Self employment **trading profits** must be no more than £50,000 (on average)
- Annual Self Employment **trading profits** must at least be equal to your non-trading income
- **Please Note** - property based businesses where profits are included in the Land & Property section of the Self Assessment tax return **are not eligible for the SEISS scheme**

Being '**adversely affected**' by the Coronavirus (COVID-19) situation may include any of the below examples:

- **you're unable to work because you:**
 - are shielding
 - are self-isolating
 - are on sick leave because of coronavirus
 - have caring responsibilities because of coronavirus
- **you've had to scale down, temporarily stop trading or incurred additional costs because:**
 - your supply chain has been interrupted
 - you have fewer or no customers or clients
 - your staff are unable to come in to work
 - one or more of your contracts have been cancelled
 - you had to buy protective equipment to trade following social distancing rules

KEY CRITERIA

The main details of the extended SEISS scheme are now as follows:

- The scheme is for Self employed (sole trader) taxpayers (see eligibility details below)
- An amount of 70% of average trading profits up to a maximum of £2,190 per month can be claimed (for a maximum of 3 months i.e. £6,570)
- Even where the SEISS grant monies are claimed, you **can** continue to work, start a new trade or take on an employment
- A taxpayer does not need to have claimed the '**First Grant**' in order to apply for the '**Second and Final Grant**' e.g. the Self employment business activities may only have been adversely affected by Coronavirus (COVID-19) in this later phase
- Monies received under the SEISS scheme are provided by means of a grant, and therefore taxable i.e. subject to both Income tax and National Insurance (**as part of your 2020/21 Self Assessment tax return**)
- HMRC will confirm each individual's eligibility and will calculate the amount to be paid out
- The claim must be made by the individual themselves i.e. in this instance Sakura are not able to manage this process on your behalf
- It is expected that **approved claims** will result in payments being received within 6 working days
- Where it appears that HMRC may have overpaid the amount of the grant that you expect to be entitled to, then you need to contact HMRC to avoid any penalties. The HMRC guidance will shortly be updated with how to do this.



CLAIM REQUIREMENTS

It is expected that HMRC will contact most eligible Self Employed taxpayers directly, however you can also complete an online check to confirm your eligibility, if necessary.

This check also encourages you to update your details via the HMRC online services portal, where this may be necessary.

- <https://www.tax.service.gov.uk/self-employment-support/enter-unique-taxpayer-reference>

When making a claim application under the SEISS scheme via the online portal from 17th August 2020 you will need the following information:

- **Self Assessment UTR** – your unique tax reference number from HMRC (on your tax return)
- **Government Gateway user ID and password (HMRC Online Services ID)** - if you do not have a user ID, you can create one when you check your eligibility online
- **Bank account number and sort code** – where the grant monies are to be paid
- **Coronavirus Impact** – you will need to confirm to HMRC that your business has been adversely affected by coronavirus.

Once the claim has been successfully submitted, there will be an immediate confirmation of approval.

CALCULATIONS [AS PER ORIGINAL SEISS SCHEME]

The £50,000 trading profits threshold (for eligibility) will be determined by **at least ONE** of the following conditions being true:

- 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**) **OR**
- 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**)

Where you have commenced trading between 2016 and 2019, and therefore have less than 3 years trading activity, then HMRC will only use those years for which a Self-Assessment tax return has been filed.

Calculation of the Grant under the Extended SEISS Scheme

The amount of the (taxable) grant will be a monthly amount of up to 70% of the average profits from the applicable tax year(s), and **up to a maximum of £2,190** (per month) for a period of 3 months.

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
- apply the 70% rule or maximum of £2,190
- apply the monthly amount calculated for a period of 3 months



OTHER ISSUES

Please note some other important points in respect of the SEISS scheme, as follows:

1. You must keep a copy of all records in line with normal Self-employment record keeping requirements, including
 - the amount claimed under the scheme
 - the claim reference number and
 - evidence that your business has been adversely affected by coronavirus
2. You will need to report the grant amounts received
 - on your Self Assessment tax return
 - as self-employed income for any Universal Credit claims and
 - as self-employed income and that you're working 16 hours a week for any tax credits claims
3. You can make a claim for Universal Credit while you wait for the grant. The grant may affect the amount of Universal Credit you get, but will not affect claims for earlier periods.
4. HMRC have not provided any guidance as to whether the grants will be subject to VAT etc., however it is expected that they would be outside the scope of VAT and no output VAT should have to be accounted for, **AND** that the grant income is disregarded for VAT registration and deregistration limits.
5. If you have another employment as a director or employee paid through PAYE, your employer may be able to get support using the Coronavirus Job Retention Scheme (CJRS Scheme)
6. HMRC will check claims and take appropriate action to withhold or recover payments found to be dishonest or inaccurate.