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Coronavirus Self-employment Income Support Scheme

The Government has announced a grant available to self-employed individuals who have lost income due to Coronavirus.

Who is eligible?

An individual who is self-employed (including via a partnership) who:

- submitted a Self Assessment Tax Return for the tax year 2018-19;¹
- traded in the tax year 2019-20;
- is trading now, or would be except for the effect of COVID-19;
- intends to continue to trade in the tax year 2020-21 and
- has lost trading profits due to COVID-19

and either:

- had self employed profits of less than £50,000 in 2018-19 whilst being more than 50% of total taxable income for that year

or

- had *average* self employed profits of less than £50,000 in the 2016-17, 2017-18 and 2018-19 years and these profits were more than 50% of total taxable income.

What will eligible individuals receive?

A taxable grant of 80% of average taxable profits from the three tax years mentioned above up to a maximum of £2,500 per month.

The grant will be paid in relation to an initial three month period in one lump sum to be paid in June 2020.

How do eligible individuals apply?

H M Revenue & Customs will analyse the information submitted on Tax Returns for 2018-19 to assess which individuals might be eligible. It will then contact those individuals and invite them to apply. Individuals are requested not to contact H M Revenue & Customs before the scheme is launched.

H M Revenue & Customs also warns against criminals who might use this opportunity to obtain bank account and other personal details.

¹ Those who are late filing their 2018-19 Tax Returns will have until 23 April 2020 to do so and be eligible for the Scheme.

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Our observations

It remains to be seen how or to what extent H M Revenue & Customs will audit the assertion that a person has lost trading profits as a result of COVID-19. In our experience almost all businesses will have been affected detrimentally by the impact of the restriction of movement.

In some cases the direct impact is indisputable, for example events businesses with cancelled or deferred bookings, restrictions in labour leading to reduced profitability, with others the impact might appear less direct.

It is anticipated that, where those affected have profits which have been averaged under the rules for farmers, the relevant figure to be used in the tests will be that after applying the 2 or 5 year averaging adjustment claimed on the return.

As stated above, the grant is taxable and so must be included on the individual's 2020-21 Tax Return.