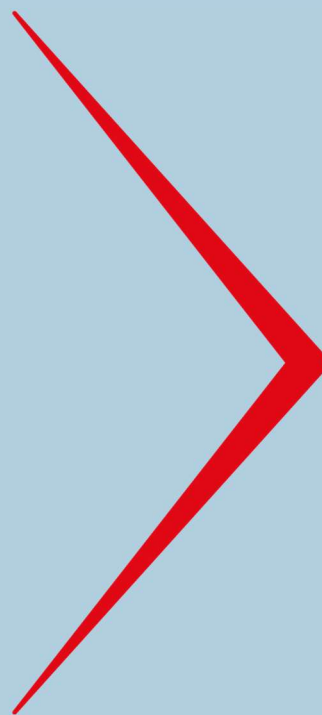
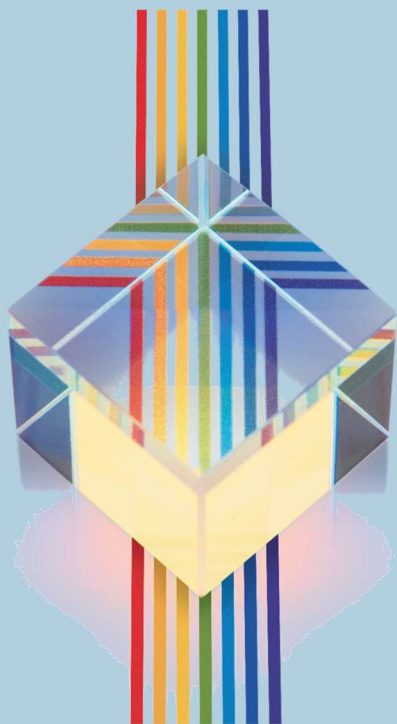


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Self-employment Income Support Scheme

13 April 2021

Presenters

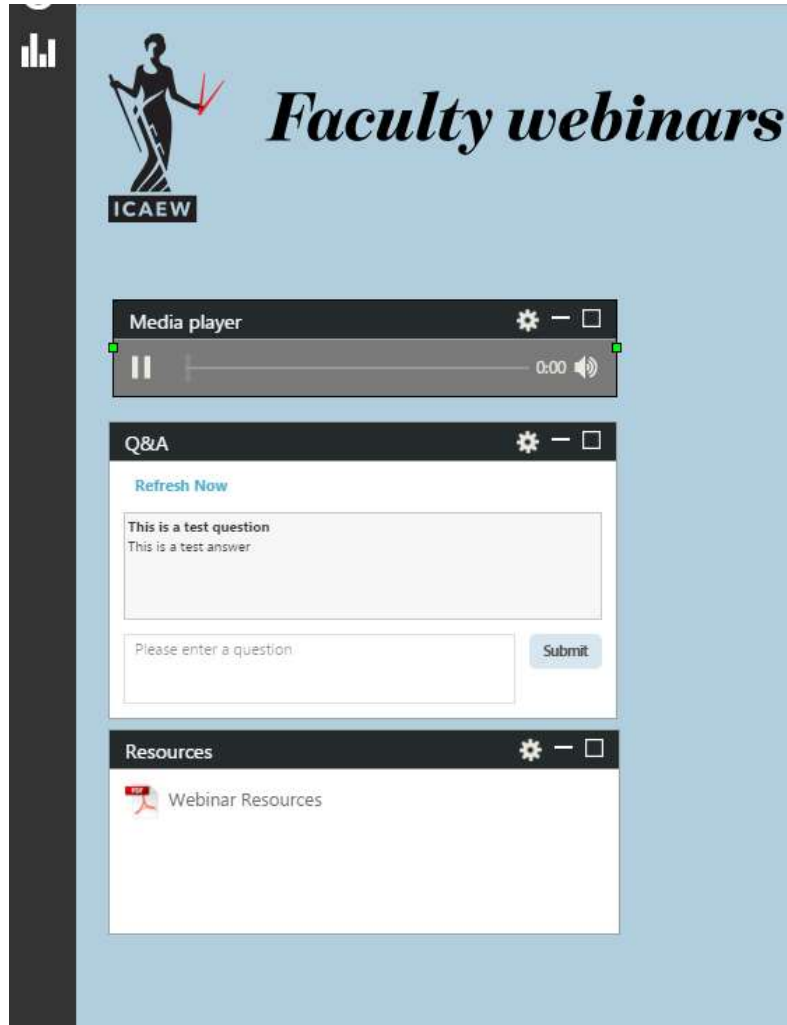


Today's moderator
Anita Monteith
Technical Lead
ICAEW Tax Faculty



Today's speaker
Caroline Miskin
Practitioner Tax Manager
ICAEW Tax Faculty

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Contents

- Summary of Self-employment Income Support Scheme (SEISS)
- Basic eligibility conditions
- Impact tests
- Grant periods and amounts
- Amendments to tax returns
- HMRC compliance activity
- Tax treatment and reporting
- Those that miss out

Summary of SEISS

- Five lump sum grants to eligible self-employed and members of partnerships
- Calculated by HMRC based on data held by them
- Applications for grants 1-3 now closed
- Applications for grant 4 open from late April 2021, close 1 June 2021
- Full details of grant 5 awaited
- Subject to eligibility, can claim later grants if earlier ones not claimed
- Claims have to be made by taxpayer

Basic eligibility conditions for grants 1-3

- Traded in 2018/19 and 2019/20
- Intend to continue to trade
- Submitted 2018/19 tax return by 23 April 2020
- Income based tests
 - Average trading profits £50,000 or less
 - Trading income at least equal to non-trading income (50% test)
 - Tests applied to 2018/19, if fail look at 3 years (2016/17, 2017/18, 2018/19)
- Special rules for loan charge cases, new parents and military reservists

Basic eligibility conditions for grants 4-5

- Traded in 2019/20 and 2020/21
- Intend to continue to trade
- Submitted 2019/20 tax return by 2 March 2021
- Income based tests
 - Average trading profits £50,000 or less
 - Trading income at least equal to non-trading income (50% test)
 - Tests applied to 2019/20, if fail look at 4 years (2016/17, 2017/18, 2018/19, 2019/20)
- Special rules for loan charge cases, new parents and military reservists

Impact tests

- Grants not designed to compensate for lost income or increased costs
- All grants: business must have been **adversely affected** by coronavirus during the appropriate period
- Grants 3-4: business must
 - be currently trading but impacted (during the appropriate period) by reduced demand due to coronavirus or have been trading but are temporarily unable to do so due to coronavirus and
 - intend to continue to trade and
 - reasonably believe there will be a significant reduction in trading profits
- Grant 5: expected to be as grants 3-4

Adversely affected

- Unable to work due to:
 - shielding
 - self-isolating
 - coronavirus related sick leave or caring responsibilities
- Scale down or temporary cessation of trade
 - Supply chain interruptions
 - Fewer or no customers
 - Staff unable to work
 - Contracts cancelled
- Additional costs such as PPE

Additional tests for grants 3-4 (&5)

- a) the business of which has suffered **reduced activity, capacity or demand** in that period from that which could reasonably have been expected but for the adverse effect on the business of coronavirus or coronavirus disease, and
 - b) which the claimant reasonably believes will suffer a **significant reduction in trading profits** from that which would otherwise have reasonably been expected as a result of that reduced activity, capacity or demand
- **Period for impact on trade is relevant period for grant but**
 - **Trading profits test applied to the whole accounting period**

Accounting periods

Accounting period(s) covering grant 4 period: February to April 2021

| Accounting date | Relevant accounting period(s) | Tax year |
|---------------------|--------------------------------|---------------------|
| 31 March or 5 April | 31 March/5 April 2021 and 2022 | 2020/21 and 2021/22 |
| 30 April | 30 April 2021 | 2021/22 |
| 30 December | 31 December 2021 | 2021/22 |

Additional points on impact tests

- No definition of 'significant reduction':
HMRC guidance asks business to make an 'honest assessment'
- Previous grants **not** included when considering impact
- More than one accounting period or trade? Demonstrate impact on one.
- Reduction can be against a forecast
- Not eligible where the **only** impact is:
 - Additional costs such as PPE
 - Lose contracts and don't seek to replace
 - Isolation on arrival in UK
- **Keep evidence**

Grant periods

- First grant – adversely affected and claimed by 13 July 2020
- Second grant – adversely affected between 14 July and 19 October 2020 and claimed by 19 October 2020
- Third grant – impacted between 1 November and 31 January 2021 and claimed by 29 January 2021
- Fourth grant – impacted between 1 February and 30 April 2021 and claimed by 1 June 2021
- Fifth grant – impacted between 1 June and 30 September 2021 TBC

Amount of grants 1-3

- Average trading profit for 3 years 2016/17 to 2018/19
 - If did not trade in 2016/17, use 2017/18 to 2018/19
 - If did not trade in 2017/18, use 2018/19 only
- First grant 80% of 3 months trading profits – capped at £7,500
- Second grant 70% of 3 months trading profit - capped at £6,570
- Third grant 80% of 3 months trading profit – capped at £7,500

Amount of grants 4-5

- Average trading profit for 4 years 2016/17 to 2019/20
 - If did not trade in 2016/17, use 2017/18 to 2019/20
 - If did not trade in 2017/18, use 2018/19 and 2019/20 only
 - If did not trade in 2018/19, use 2019/20 only
- Fourth grant 80% of 3 months trading profit – capped at £7,500
- Fifth grant:
 - 80% of 3 months trading profit – capped at £7,500
If turnover has reduced by 30% or more
 - 30% of 3 months trading profit – capped at £2,850
If turnover has reduced by less than 30%

Grant 5 turnover test

- Basic principle expected to be:
Compare 2020/21 turnover with 2019/20
- Still considering how to apply to:
 - Non 31 March/5 April year ends
 - Trades that started in 2019/20
- Expected to be a declaration made as part of the claims process

Amendments

Grants 1-3

- 2016/17 and 2017/18 returns filed after 23 April 2020 disregarded
- Amendments after 26 March 2020 disregarded

Grants 4-5

- 2016/17, 2017/18 and 2018/19 returns filed after 2 March 2021 disregarded
- Amendments after 2 March disregarded by HMRC when calculating grant
but taxpayer has an obligation to repay if a subsequent amendment reduces or disqualifies grant - £100 de minimis

HMRC grant 4 pre-compliance activity

- Extension to trades starting in 2019/20 presents an additional risk
- HMRC contacting 100,000 of 300,000 new trades
- Taxpayers have to confirm identity and provide evidence of trading activity
- Concern that contact may appear to be a scam
- Taxpayers have until grant application window closes to comply
- <https://www.icaew.com/insights/tax-news/2021/mar-2021/preverification-checks-for-new-seiss-claims>

HMRC compliance activity

- Primary focus is on preventing criminal attacks
- HMRC has contacted cases where trade ceased in 2018/19 and moving on to cessations in 2019/20
- Enforcing 'adversely affected' and 'reduced activity, capacity, demand' and 'significant reduction in trading profits' challenging for HMRC
- HMRC guidance asks business to make an 'honest assessment'
- 90 days from receipt to notify and repay HMRC to avoid penalties
- Agents may need to consider tax return entries/suspicious activity report

Tax treatment and reporting

- Grants taxable when received (irrespective of accounting periods)
- Grants 1-3 generally taxable in 2020/21
- Grants 4-5 generally taxable in 2021/22
- Same rules for partners who claim in their own right
- Separate boxes on SA tax returns (Box 70.1 on SA103F, TR5 on SA100 for incorrect claims)
- SA pre-population APIs include grant details
- Cannot join MTD for ITSA in 2020/21 if grant claimed, can for 2021/22

Those that miss out

- Trading income more than £50,000
- Other income greater than trading income, breaching the 50% rule
- Didn't file SA return by relevant date

Some who qualified for grants 1-3 will miss out on grants 4-5

- Income from property including furnished holiday lettings
- Earnings reduced because of parental leave or illness in base period
- Trades incorporated since 5 April 2018
- Started trading since 5 April 2019 (grants 1-3) or 5 April 2020 (grants 4-5)

Additional information

- ICAEW guidance <https://www.icaew.com/coronavirus/self-employment-income-support-scheme>
- Legislation (direction) <https://www.gov.uk/government/publications/treasury-direction-made-by-the-chancellor-under-sections-71-and-76-of-the-coronavirus-act-2020>
- HMRC guidance

[Check if you can claim a grant through the Self-Employment Income Support Scheme - GOV.UK](#)

[Claim a grant through the Self-Employment Income Support Scheme - GOV.UK](#)

[How HMRC works out trading profits and non-trading income for the Self-Employment Income Support Scheme - GOV.UK](#)

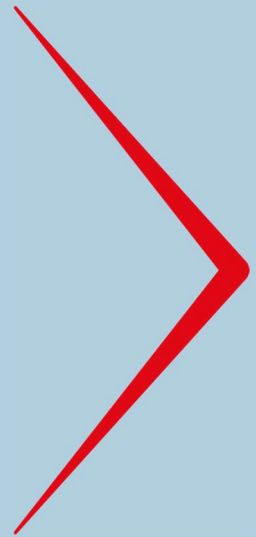
[How your trading conditions affect your eligibility for the Self-Employment Income Support Scheme - GOV.UK](#)

[Return to your claim for the Self-Employment Income Support Scheme - GOV.UK](#)

[Tell HMRC and pay the Self-Employment Income Support Scheme grant back - GOV.UK](#)

[How different circumstances affect the Self-Employment Income Support Scheme - GOV.UK](#)

[Penalties for not telling HMRC about Self-Employment Income Support Scheme grant overpayments - CC/FS47](#)



*Any
questions?*

Future webinars and events

15 April: MTD and tax system transformation – cancelled

05 May: Earlier payments

05 May: Tax Administration Framework Review

07 May: CJRS the final push

10 May: SME and OMB tax planning post Finance Bill 2021

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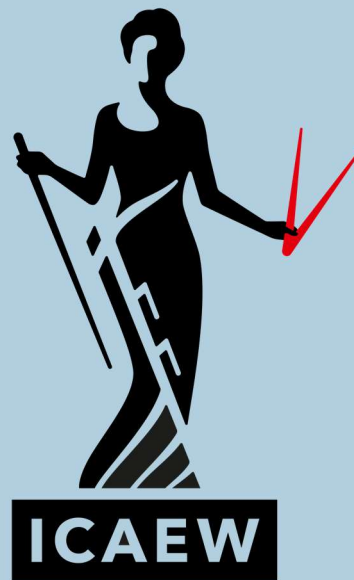
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