

Coronavirus – COVID 19
Help for the self-employed

On 26 March 2020 HM Government announced the details of the support available to the self-employed, which includes those in partnerships.

This will be in the form of a taxable grant which will be backdated to 1 March 2020. It is initially for a three month period, ie until the end of May 2020. It may be extended if necessary. It will not be paid until the end of the period to which it applies, so at present it is anticipated it will be paid in early June 2020.

It will be available for those who have been self-employed throughout the last three (completed) tax years and for whom at least half of their income came from self-employment. It will not apply to those who have a small self-employment alongside an employment. If your self-employment commenced during this period your grant will be calculated based on those years for which you submitted a tax return showing income from self-employment. You must still be trading now and anticipate doing so in the next tax year too, ie beyond 5 April 2020.

To be eligible the self-employed must have had trading profits of less than £50,000 in the tax year which ended on 5 April 2019 OR an average trading profit of less than £50,000 for the tax years ended 5 April 2017, 2018 and 2019.

This means that if your profits from self-employment have been increasing year on year, with them topping £50,000 in 2019 you may still be eligible, eg £42,000 in 2017, £47,000 in 2018 and £52,000 in 2019 is an average of £47,000 so you would still qualify.

You will receive up to 80% of your average monthly trading profit over the last three years. In the above example £47,000 divided by 12 equals £3,917, 80% of which is £3,133. The grant is capped at £2,500 so (on current basis) you would receive a payment of £7,500 in June.

The maximum payable of £2,500 per month equates to an average trading profit of £37,500 per annum. In effect if your total trading profits for the three years exceeded £112,500 then the grant you get will be less than your average trading profits.

If you haven't filed your 2019 tax return, which was due by 31 January, you now have four weeks to complete this and still qualify.

HMRC will be contacting those who are eligible and giving them details of how to apply. This will be through the HMRC website. I anticipate you will need to log-in via the Government Gateway.

In the words of HMRC "Individuals do not need to contact HMRC now and doing so will only delay the urgent work being undertaken to introduce the scheme." They will contact you in due course.

In the meantime the self-employed can continue to access other new measures available to them including Universal Credits as well as Income Tax and VAT Deferrals, additional support for renters and three month mortgage holidays.

Those with business bank accounts can apply for “The Coronavirus Business Interruption Loan Scheme” (CBILS). An overview can be found at The British Business Bank:

<https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils-2/>

You need to apply for these loans. Links to all lenders appear on the British Business Bank site. Here are the links for some of the main banks used by our clients:

<https://www.business.hsbc.uk/en-gb/finance-and-borrowing/credit-and-lending/coronavirus-business-interruption-loan-scheme>

https://www.lloydsbank.com/business/coronavirus/cbils.html?WT.ac=lloyds-bb_and_sme-covid_19-support-tile-FOM-cbils_homepage#

<https://www.business.natwest.com/business/support-centre/service-status/coronavirus.html>

As yet no support has been revealed for those who became self-employed after 5 April 2019. Anyone in that situation should look at the other options and apply for all available benefits. This also applies to those with income of £50,000 and above. We would anticipate further help becoming available as cap to profits takes no account of how many people are being supported by the self-employed person.

Victoria

Please note that I will be adding a page of links as these will not work from pdf files