

# Government Help for the Self-Employed

Updated: 31.03.2020

Last week 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 taxable 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<sup>ths</sup> 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 taxable 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 whose self-employed taxable 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 half way 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 in 2017?**

If you bought a significant item, such as a van, in one of the relevant tax years, your taxable profits will be lower in that year. This will mean you get less, but since we are taking a three year average, one significant capital purchase will be diluted over the three year period.

**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.