

Throgmorton - COVID-19: Government Support for Self-Employed

Help for (some) self-employed

As widely expected, following similar measures for employees, the UK Chancellor of the Exchequer yesterday announced plans to introduce COVID-19 support for the self-employed. This measure will therefore be of potential interest to sole traders and partners.

Unlike employees, who must be “furloughed” to be eligible, self-employed individuals will be able to carry on working. The scheme is intended though for those self-employed individuals who have lost income due to COVID-19.

The scheme will not, however, be available to all self-employed individuals that suffer a drop in income. The scheme will be open to those with:

- trading profits of less than £50,000 in 2018-19 (i.e. the year to 5th April 2019); or
- average trading profits of less than £50,000 from (where relevant) 2016-17, 2017-18 and 2018-19.

The “trading profit” figures will be those shown on submitted UK tax returns in 2016-17, 2017-18 and 2018-19. More on this below, in terms of the 2018-19 return.

A further condition is that, to qualify, more than half of the individual's total taxable income in this period/these periods must come from self-employment. In addition, the individual must:

- have submitted their Income Tax Self-Assessment tax return for the tax year 2018-19 (which, ordinarily, should have been filed by 31st January 2020). If an individual (wishing to claim under this scheme) hasn't yet filed their 2018-19 return, they must do this by 23rd April 2020;
- have traded in the tax year 2019-20 (so the current, just, tax year);
- be trading when they apply, or would be except for COVID-19;
- intend to continue to trade in the tax year 2020-21 (so post 5th April 2020);
- as alluded to above, have lost trading/partnership trading profits due to COVID-19.

If eligible for the scheme, the self-employed will be able to apply for a taxable, cash grant of 80% of their profits, up to £2,500 per month. The taxable grants will apply for at least 3 months but will not be paid (in one instalment) earlier than June 2020.

Further details will be forthcoming and are eagerly awaited. In particular, the “simple” online application form. It is also noted, notwithstanding the mention of an application form, that:

“To minimise fraud, only those who are already in self-employment and meet the above conditions will be eligible to apply. HMRC will identify eligible taxpayers and contact them directly with guidance on how to apply.”; and

“Individuals should not contact HMRC now. HMRC will use existing information to check potential eligibility and invite applications once the scheme is operational.”

On the subject of potential fraud, consistent with HMRC’s messages, we should remind clients that, sadly, HMRC are aware of an increase in scam emails, calls and texts. Should you be contacted by someone claiming to be from HMRC, saying that financial help can be claimed or that a tax refund is owed, and asking you to click on a link or to give information such as your name, credit card or bank details, please do not respond.

Interest rates: late payment

HMRC has stated that their late payment interest rates are to be revised, following the decision by the Bank of England cut its base rate to 0.1 per cent. These changes to HMRC interest rates are to come into force on 30 March 2020 for quarterly instalment payments and on 7 April 2020 for non-quarterly instalments payments. Repayment interest rates are to remain unchanged.

If you need further information please do not hesitate to get in touch with your usual Throgmorton contact or **Kerry Kelly** at kerry.kelly@throgmorton.co.uk or **Adam Hewitson** at adam.hewitson@throgmorton.co.uk.