

Dear Client

Self Employed – Corona Virus Payments and Self-employed payments on account

Overview

The scheme is open to:

- People who have filed a 2018/19 tax return
- Late filers have until 23 April 2020 to file 2018/19 tax return
- Those who have traded in the 2019/20 , current year
- Are still trading when the application is made or would be except for Covid-19
- Intend to continue to trade in 2020/21
- Have lost trading / partnership trading profits due to Covid-19
- Self-employed who have Trading Profits of less than £50,000 and more than half of their income is from self-employment.

The scheme is **NOT open to:**

- People who commenced self-employment after 5 April 2019.
- People who trade through a limited company and pay themselves a salary & dividend are not considered to be self-employed (they are employees and should be covered for their salary only, by the Coronavirus Job Retention Scheme)

HMRC should be contacting those on their data base who are registered as self-employed by the beginning of June.

Using an online form, individuals can apply directly to HMRC for the grant and it is paid straight into their bank account. Self-employed clients are advised to complete as much of the information requested on the form themselves, and forward it to us, if you wish us to insert the figures. At the moment we do not know if "Profit" means the Net Profit shown on the accounts or the Taxable Profit reported on the Tax Return.

It is likely that the first payments are planned to be at the end of June, and will be paid in a lump sum covering the 3 months over which the scheme is operational - that payment will be treated as "Earnings" and will be taxable .

Between now and June the self-employed can also access Universal Credit in full and can continue to work.

Details of the Scheme

- There is a taxable cash grant of 80% of trading profits up to a maximum of £2,500 per month
- Self-employed Trading Profits must be less than £50k and is determined by at least one of the following conditions being true :-
 - Having trading profits / partnership trading profits in 2018/19 of less than £50,000 and these Profits constitute more than half of the self-employed's income
 - having average trading profits over the last 3 years [2016/17 , 2017/18 , & 2018/19] and these Profits constitute more than half of the self-employed's average taxable income in that same 3 year period.

NOTE- if you started trading between 2016-2019, HMRC will only use those years for which you filled a self-assessment tax return.

- The scheme also applies to members of partnerships
- The availability of the grant does not preclude other assistance available
- The scheme will last 3 months
- HMRC will contact individuals if they are eligible

If you haven't been contacted by HMRC by say 25 June, then we suggest you contact HMRC quoting your Unique Tax Reference number, or email us and we will make contact on your behalf.

We imagine HMRC will have a designated line to deal with enquiries, but be aware, they are learning how to deal with this, and they are probably under-manned because of the Coronavirus, so there will be delays in processing the forms and the payments...

Continuing to earn

Self-employed can continue to earn and still make a claim for the Grant - unlike " furloughed " employees ; in fact some businesses are/have to remain open, such as groceries, petrol stations, chemists etc. However we offer a note of caution - there is nothing in the government statements to suggest there may/would be a claw-back of the Grant, but HMRC might in time, assess to see if a trader's average earnings were unaffected by the Covid-19 virus and request that some or all of the Grant monies be repaid . We emphasize this is a note of caution.

Be wary of scams

This a real threat. HMRC will only contact you through GOV.UK - there maybe fraudsters who will try to contact you in person, by phone, text or email – do not give them any information or open any link on an email. If in doubt, call HMRC or forward the email through to us for checking.

HMRC do NOT contact taxpayers by text or email and rarely by phone. You should always refer them to us, as your Accountant if ever you receive any communication from HMRC, in this way.

31 July 2020 Income Tax / Class 4 Payment on Account for 2019/20 deferment

You are reminded that the Government has agreed that you may postpone your 31 July 2020 Income Tax and Class 4 NIC payment until 31 January 2021 - so if you do choose to delay the 31 July payment make sure you save enough funds to make the payment on 31 January 2021, because the penalties for paying late are heavy.

Grants from the Local Authority –connected to business rates.

Please refer to our earlier e-mail circular. If you pay business rates then a Grant from your Local Authority may well be available.

Coronavirus Business Interruption Loan – from your Bank.

You should contact your Bank if you require a Loan. Normal banking arrangements and conditions for a Loan will apply, although today the Government stated they want to make the applications less onerous. The Loan should be interest-free for 12 months – but beware it will have to be repaid; and the Bank will seek to enforce repayment if you default. .

Kind regards,

Elliot

Shacter, Cohen & Bor LLP

Chartered Accountants

31 Sackville Street

Manchester M1 3LZ

Tel: 0161 2363909