

The Coronavirus self-employment Income Support Scheme

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27 March 2020

Please note: the information contained in this legal update is correct as of the original date of publication

The Government has now announced the measures that it intends to put in place to support the self-employed who are suffering income loss due to the coronavirus pandemic. The headline points are:

- A taxable grant worth 80% of profits (based on the last three tax returns if self-employed during this period), subject to a monthly cap of £2,500, is being made available.
- It will initially be for three months, payable in one lump sum. It will start to be paid from the beginning of June (covering March, April and May).
- Unlike the Job Retention Scheme, there is no obligation to stop working to qualify for the grant.
- It will be open to those who were trading last year, are still trading now, and who intend to continue to trade this year.
- It will be limited to those whose trading profit for the last year (or average over the last three years) was less than £50,000.
- At least half of the individual's income must come from self-employment (again, as evidence by last year's tax return, or the average over the last three years).
- A tax-return must have been filed for 2018/19. This means that the scheme will only apply to those who were self-employed prior to April 2019. Anyone who has missed the deadline for submitting their tax return will have until 26 April to do so, and will then be able to access the scheme (assuming the other criteria are met).
- HMRC will contact those potentially eligible and ask them to confirm that they meet the eligibility requirements – they do not need to contact HMRC themselves.
- Those who pay themselves a salary and dividends will not be covered by the scheme (although 80% of the salary element dealt with through PAYE, subject to a monthly cap of £2,500, can be recovered under the Job Retention Scheme, assuming they are furloughed).

The proposed grants will clearly be very welcomed by the self-employed, although many have raised concerns about the time that it will take for them to receive the first grant payment. Some will therefore need to explore the other measures previously announced by the Government if they have a more pressing need for cash flow – such as applying for a business interruption loan, deferring tax payments or accessing universal credit. The same options will apply to the self-employed who do not meet the criteria above to qualify for grants under the new scheme.

Lastly, in the announcement made by the Government, indications were also made that there could well be further tax changes ahead for the self-employed, removing some of the tax advantages such as lower national insurance. The Government had previously indicated that it would be carrying out a review of status issues, including tax implications, as part of its Good Work Plan and so expect to see further announcements on this in due course.



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