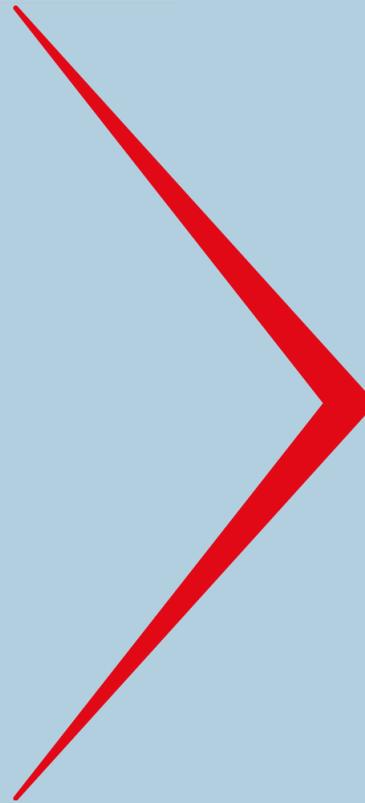


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Self-Employment Income Support Scheme – fifth grant

20 July 2021

Presenters



Today's moderator
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Self-Employment Income Support Scheme (SEISS) basics

Eligibility for and calculation of grants

Tax treatment and returns

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SEISS grant basics

Five lump sum grants available to eligible self-employed and partners

Calculated by HMRC based on data in its systems

*exception – turnover for determining level of fifth grant

Claims must be made by taxpayer

Applications for grants 1-4 now closed

Applications for grant 5 open from late July 2021, close 30 September 2021

If eligible, can claim later grants if earlier ones not claimed

Three layers to entitlement



Basic eligibility tests

HMRC applies tests to tax return data, before opening claims



Business impact tests

Taxpayer makes declaration when claiming



Grant 5 turnover test

Taxpayer provides turnover figures when claiming, determines **amount** of grant

Basic eligibility tests for grants 1-3

Traded in 2018/19 and 2019/20

Intend to continue to trade

Submitted 2018/19 tax return by 23 April 2020

Income based tests

- average trading profits £50,000 or less
- trading income at least equal to non-trading income (50% test)
- tests applied to 2018/19, if fail look at 3 years (2016/17, 2017/18, 2018/19)

Special rules for loan charge cases, new parents and military reservists

Basic eligibility tests for grants 4-5

Traded in 2019/20 and 2020/21

Intend to continue to trade

Submitted 2019/20 tax return by 2 March 2021

Income based tests

- average trading profits £50,000 or less
- trading income at least equal to non-trading income (50% test)
- tests applied to 2019/20, if fail look at 4 years (2016/17, 2017/18, 2018/19, 2019/20)

Special rules for loan charge cases, new parents and military reservists

Business impact tests

Grants not designed to compensate for lost income or increased costs

Grants 1-2: business must have been adversely affected by coronavirus

Grants 3-5: reduction in demand and profits

- business must be currently trading but impacted by reduced demand due to coronavirus **or** have been trading but temporarily unable to trade due to coronavirus and
- must intend to continue to trade and
- reasonably believe there will be a significant reduction in trading profits

Grant periods

- First grant – adversely affected and claimed by 13 July 2020
- Second grant – adversely affected between 14 July and 19 October 2020 and claimed by 19 October 2020
- Third grant – impacted between 1 November 2020 and 31 January 2021 and claimed by 29 January 2021
- Fourth grant – impacted between 1 February and 30 April 2021 and claimed by 1 June 2021
- Fifth grant – impacted between 1 May and 30 September 2021 and claimed by 30 September 2021

Adversely affected

Unable to work

- shielding
- self-isolating
- coronavirus related sick leave or caring responsibilities

Scale down or temporary cessation of trade

- supply chain interruptions
- fewer or no customers
- staff unable to work
- contracts cancelled

Additional costs such as PPE

Reduction in demand and profits for grants 3-5

Legislation says:

*“the business of which has suffered **reduced activity, capacity or demand** in that period from that which could reasonably have been expected but for the adverse effect on the business of coronavirus or coronavirus disease, and*

*which the claimant reasonably believes will suffer a **significant reduction in trading profits** from that which would otherwise have reasonably been expected as a result of that reduced activity, capacity or demand”*

- Reduced activity, capacity or demand - consider relevant period for grant
- Significant reduction in trading profits - consider expectation for the whole accounting period

Impact and accounting periods

- Grant 5: reduced activity, capacity, demand: May to September 2021
- Significant reduction in trading profits:

Accounting date	Relevant accounting period(s)	Tax year
31 March or 5 April	31 March/5 April 2022	2021/22
30 April	30 April 2022	2022/23
30 June	30 June 2021 and 2022	2021/22 and 2022/23

More on impact tests

- No definition of ‘significant reduction’:
HMRC guidance asks business to make an ‘honest assessment’
- Don’t have to include SEISS grants or other COVID-19 scheme support payments
- More than one accounting period or trade? Demonstrate impact on one
- Reduction can be against a forecast
- Not eligible where the **only** impact is:
 - additional costs such as PPE
 - lose contracts and don’t seek to replace
 - isolation on arrival in UK
- **Hindsight not required – assess when claiming and keep evidence**

Calculation of grants 1-3

- Average trading profit for 3 years 2016/17 to 2018/19
 - didn't trade in 2016/17, use 2017/18 to 2018/19
 - didn't trade in 2017/18, use 2018/19 only
- First grant 80% of 3 months trading profits – capped at £7,500
- Second grant 70% of 3 months trading profit - capped at £6,570
- Third grant 80% of 3 months trading profit – capped at £7,500

Calculation of grants 4-5

- Average trading profit for 4 years 2016/17 to 2019/20
 - didn't trade in 2016/17, use 2017/18 to 2019/20
 - didn't trade in 2017/18, use 2018/19 and 2019/20 only
 - didn't trade in 2018/19, use 2019/20 only
- Fourth grant 80% of 3 months trading profit – capped at £7,500
- Fifth grant:
 - 80% of 3 months trading profit – capped at £7,500
if turnover has reduced by 30% or more
 - 30% of 3 months trading profit – capped at £2,850
if turnover has reduced by less than 30%

Grant 5 turnover test

Claim requires turnover figures for a pandemic period and a pre-pandemic reference period

Pandemic period always a 12-month period starting 1-6 April 2020

- same as 2020/21 tax return for 31 Mar-5 April 2021 year ends, but not others

Pre-pandemic reference period is 2019/20 tax return, with exceptions

- can opt to use 2018/19 if 2019/20 not 'normal'
- scale up or down for short or long accounting periods
- may not be twelve months if started/ceased trade in reference year

More on the grant 5 turnover test

- Test not a requirement for the newly self-employed in 2019/20
if they did not trade in any of 2016/17, 2017/18, 2018/19
- automatically get the higher level grant
- Partners use turnover for partnership as a whole **except**
if they have another business - use their share of partnership turnover
- Turnover does not include 'Other Income' – so grants excluded
- One total for all trades

Returns and amendments

Grants 1-3

2016/17 and 2017/18 returns filed after 23 April 2020 disregarded

Amendments after 26 March 2020 disregarded

Grants 4-5

2016/17, 2017/18 and 2018/19 returns filed after 2 March 2021 disregarded

Amendments after 2 March 2021 disregarded by HMRC when calculating grants **but taxpayer has an obligation to repay if a subsequent amendment reduces or disqualifies grant** - £100 deminimis
[Tell HMRC and pay the Self-Employment Income Support Scheme grant back](#)

Tax treatment

- Grants taxable when received (irrespective of accounting periods)
- Grants 1-3 taxable in 2020/21, 4-5 taxable in 2021/22
- As above for partners who claim in their own right
- Grants paid into partnership and pooled – follow the accounting treatment
- May result in grants and reduced income being in different tax years
- Grants are trading income - pension contributions etc

Tax returns

- Separate boxes on SA tax returns
- SA pre-population APIs include grant figures
- Grant figures not available in agent online services
- Clients can view via [Return to your claim for the Self-Employment Income Support Scheme](#)
- New declaration on SA100 that grants correctly claimed (20.1 on page 8)

Tax return section	Box number
Self-employment full SA103(F)	70.1
Self-employment short SA103(S)	27.1
Short tax return SA200	3.10A
Partnership full SA104(F)	9.1
Partnership short SA104(S)	9.1
Partnership SA800 (where the SEISS grant is paid into the partnership)	Include in turnover (3.24 or 3.29)

More on tax returns

- HMRC autocorrecting 2020/21 tax returns to match their SEISS records
- Returns filed before 19 June 2021 will be manually corrected
- HMRC corrections will be wrong if grants included elsewhere on return
[SEISS: tax return corrections and pre-claim checks revisited | ICAEW](#)
- New boxes on return for wrongly claimed grants but better to repay first
[Tell HMRC and pay the Self-Employment Income Support Scheme grant back](#)
- Agents will need to consider PCRT/AML/ethics but remember hindsight not required
[TAXguide 12/21 COVID-19 support grants tax considerations | ICAEW](#)
- Precluded from joining MTD ITSA

HMRC pre-claim verification

- Extension to trades starting in 2019/20 presents an additional risk
- HMRC selected 100,000 of 300,000 new trades
- Contacted some in advance of grant 4, more in advance of grant 5
- Taxpayers must confirm identity and provide evidence of trading activity
- Concern that contact may appear to be a scam
- Taxpayers have until grant application window closes to comply
- [Pre-verification checks for new SEISS claims | ICAEW](#)

HMRC compliance activity

- Primary focus is on preventing criminal attacks
- HMRC has contacted cases where trade ceased in 2018/19, similar exercise for cessations in 2019/20
- Enforcing ‘adversely affected’ and ‘reduced activity, capacity, demand’ and ‘significant reduction in trading profits’ challenging for HMRC
- HMRC guidance asks business to make an ‘honest assessment’
- 90 days from receipt to notify and repay HMRC to avoid penalties
[Tell HMRC and pay the Self-Employment Income Support Scheme grant back](#)

Additional information

- ICAEW guidance on the scheme

[Self-Employment Income Support Scheme \(SEISS\) | ICAEW](#)

- ICAEW guidance on tax treatment and returns

[TAXguide 12/21 COVID-19 support grants tax considerations | ICAEW](#)

- Legislation (direction)

[Treasury Direction made by the Chancellor under Section 76 of the Coronavirus Act 2020](#)

HMRC guidance

[Check if you can claim a grant through the Self-Employment Income Support Scheme](#)

[Claim a grant through the Self-Employment Income Support Scheme](#)

[Work out your turnover so you can claim the fifth SEISS grant](#)

[How HMRC works out trading profits and non-trading income for the Self-Employment Income Support Scheme](#)

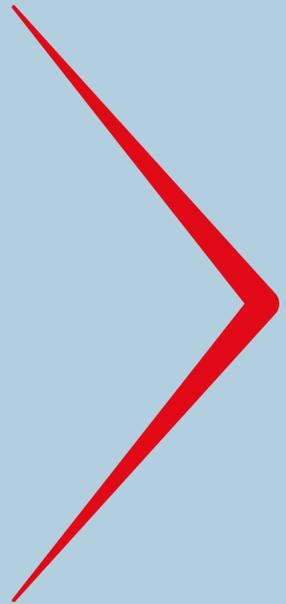
[How your trading conditions affect your eligibility for the Self-Employment Income Support Scheme](#)

[How different circumstances affect the Self-Employment Income Support Scheme](#)

[Return to your claim for the Self-Employment Income Support Scheme](#)

[Tell HMRC and pay the Self-Employment Income Support Scheme grant back](#)

[Penalties for not telling HMRC about Self-Employment Income Support Scheme grant overpayments - CC/FS47](#)



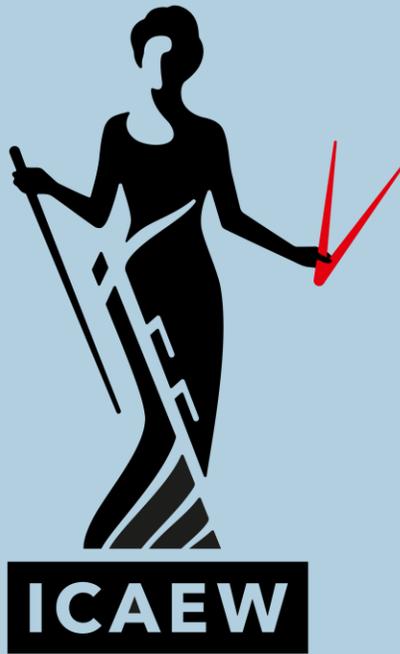
*Any
questions?*

Future webinars and events

- 12 Aug – Freeports
- 26 Aug – Patent Box
- 14 Sep – MTD for ITSA – back to basics and myth busting

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