



**BRIEFING PAPER**

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# Coronavirus: Self-Employment Income Support Scheme

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**Contents:**

1. Coronavirus (Covid-19) outbreak: Government actions
2. Coronavirus Self-Employment Income Support Scheme
3. Reactions to the SEISS
4. FAQs



# Contents

<b>Summary</b>	<b>3</b>
<b>1. Coronavirus (Covid-19) outbreak: Government actions</b>	<b>4</b>
<b>2. Coronavirus Self-Employment Income Support Scheme</b>	<b>5</b>
2.1 Launch of the Scheme in March 2020	5
2.2 Extension of the Scheme to August 2020	9
<b>3. Reactions to the SEISS</b>	<b>13</b>
Initial responses	13
Institute for Fiscal Studies (IFS) analysis : April 2020	14
Commentary on the prospects for future tax reform	15
The Treasury Select Committee’s report : June 2020	16
<b>4. FAQs</b>	<b>19</b>
Q1. Who is eligible for the SEISS?	19
Q2. Who is not eligible?	19
Q3. What if I have fewer than three years’ worth of tax returns?	21
Q4. Why is there a £50,000 cap?	21
Q5. How do I apply for a grant?	22
Q6. Is there a closing date for applications?	23
Q7. How much will I receive?	23
Q8. When will I receive the grant?	23
Q9. Can I continue to trade or get a second job?	23
Q10. What if I think my grant is too low?	24
Q11. What do I have to do after I receive my grant?	25
Q12. Is the grant liable to tax?	25
Q13. Can directors of personal service companies claim?	26
Q14. How does the Scheme apply to people subject to the Loan Charge?	27
Q15. I have been contacted about the Scheme. Is this a scam?	28
Q16. Can I apply if my immigration status is listed as “no recourse to public funds”?	28
Q17. What support is available to those not eligible for the SEISS?	28
Q18. Is the Scheme going to be extended?	29
Q19. Where can I get further information?	29

## Summary

To support the self-employed through the coronavirus outbreak the Government has introduced the [Self-Employment Income Support Scheme \(SEISS\)](#). The Scheme pays taxable grants worth 80% of someone's average monthly trading profit, up to £2,500 per month over a three-month period starting from March 2020.

On 30 April, the Government published the [Treasury Direction to HMRC](#), the formal legislative guidelines for the SEISS, and the Scheme was opened for applications [on 13 May](#). On 29 May, the Government [announced the Scheme would be extended](#), with those eligible able to claim a second and final grant capped at £6,570.

The [Office for National Statistics \(ONS\) estimates](#) that just over 5 million people (15% of the UK workforce) are self-employed. The Government says the SEISS will cover 95% of people who get the majority of their earnings from self-employment. The Institute for Fiscal Studies (IFS) estimates that just 62% of all self-employed individuals will be covered.

[HMRC have updated their detailed guidance on the SEISS](#). This says:

- The scheme currently allows you to claim a taxable grant worth 80% of your average monthly trading profits, paid out in a single instalment covering 3 months' worth of profits, and capped at £7,500 in total. If you're eligible and want to claim the first grant you must make your claim on or before 13 July 2020.
- This scheme is being extended. If you're eligible for the second and final grant, and your business has been adversely affected on or after 14 July 2020 you'll be able to make a claim in August 2020. You can claim for the second grant even if you did not make a claim for the first grant ...
- If you receive the grant you can continue to work, start a new trade or take on other employment including voluntary work, or duties as an armed forces reservist.
- The grant does not need to be repaid but will be subject to Income Tax and [self-employed National Insurance](#).
- HMRC will work out if you're eligible and how much grant you may get. But you can follow these steps to help you understand how we will do this and what you can do now.
  1. Find out [who can claim](#).
  2. [Check if you're eligible](#) and get the date you can claim from.
  3. Find out [how HMRC works out your grant](#).
  4. [Make your claim](#).
  5. Find out when you'll [get the money paid into your bank and how to record the grant](#).<sup>1</sup>

As with other aspects of the Covid-19 pandemic and the Government's response to it, this is a fast-moving area and the paper should be read as correct at the time of publication. Similarly, as with other Commons Briefing papers, this information is provided to Members of Parliament in support of their parliamentary duties and is not intended to address the specific circumstances of any particular individual. A suitably qualified professional should be consulted if specific advice or information is required.

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<sup>1</sup> HMRC, [Check if you can claim a grant through the Self-Employment Income Support Scheme](#), 12 June 2020

# 1. Coronavirus (Covid-19) outbreak: Government actions

The Chancellor has “promised to do whatever it takes to support our economy through this crisis” and has announced plans for a [£330+ billion package of support for businesses](#). For information on these wider support measures, many of which may be relevant to the self-employed, please see the Commons Briefing paper [Coronavirus: Support for business](#), Commons Briefing paper CBP8847.

Wider background information about coronavirus and the response to it is available from the [Commons Library Coronavirus page](#).

## Timeline of announcements

- In [Budget 2020](#) on 11 March the Chancellor, Rishi Sunak, set out plans for a £12 billion package of “temporary, timely and targeted measures” to support public services, individuals and businesses through the economic disruption caused by coronavirus.<sup>2</sup>
- On 17 March, the [Chancellor set out a package of additional financial measures worth £330 billion](#) (“equivalent to 15% of GDP”) and “promised to do whatever it takes to support our economy through this crisis.” Mr Sunak went on to say “if demand is greater than the initial £330 billion [for loans] I’m making available today, I will go further and provide as much capacity as required. I said whatever it takes – and I meant it.”<sup>3</sup>
- On 20 March, the [Chancellor provided an updated statement on coronavirus](#). This provided both new measures and updated information on those measures already announced, including “unprecedented” measures for the Government to “step in and help to pay people’s wages” – the [Coronavirus Job Retention Scheme](#).<sup>4</sup>
- On 26 March, the [Chancellor announced the Government would pay direct cash grants to self-employed individuals](#) worth 80% of their profits, up to £2,500 per month: the Self-Employment Income Support Scheme (SEISS). This scheme mirrors the Job Retention Scheme.<sup>5</sup>
- On 12 May, the Chancellor [announced that the Coronavirus Job Retention Scheme would continue](#) until the end of October.<sup>6</sup>
- On 29 May, the Chancellor [announced the SEISS would be extended](#) - with those eligible able to claim a second and final grant capped at £6,570. Mr Sunak also gave further details on the extension of the Coronavirus Job Retention Scheme.<sup>7</sup>

<sup>2</sup> HM Treasury, [Budget 2020](#), HC 121, March 2020, para 1.83

<sup>3</sup> HM Treasury, [Chancellor of the Exchequer, Rishi Sunak on COVID19 response](#), 17 March 2020

<sup>4</sup> HM Treasury, [The Chancellor Rishi Sunak provides an updated statement on coronavirus](#), 20 March 2020

<sup>5</sup> HM Treasury, [Chancellor gives support to millions of self-employed individuals](#), 26 March 2020

<sup>6</sup> HM Treasury, [Chancellor extends furlough scheme until October](#), 12 May 2020

<sup>7</sup> HM Treasury, [Chancellor extends Self-Employment Support Scheme and confirms furlough next steps](#), 29 May 2020. See also, [Update on the CJRS and SEISS : Written statement - HCWS267S](#), 3 June 2020.

## 2. Coronavirus Self-Employment Income Support Scheme

### 2.1 Launch of the Scheme in March 2020

The [Office for National Statistics \(ONS\) estimates](#) that just over 5 million people – 15% of the UK workforce – are self-employed.<sup>8</sup> Following the announcement of the Government's Job Retention Scheme, there were calls for similar support to be provided to self-employed individuals. Frances O'Grady, General Secretary of the Trades Union Congress, told the BBC's Today programme that the lack of measures put in place for the self-employed "will cause real hardship unless we get to grips with it."<sup>9</sup>

On 26 March, the Chancellor Rishi Sunak announced the Government would launch an income support scheme for the self-employed:

I'm proud of what we've done so far, but I know that many self-employed people are deeply anxious about the support available for them ... So, to support those who work for themselves, today I am announcing a new Self-Employed Income Support Scheme.

The government will pay self-employed people, who have been adversely affected by the Coronavirus, a taxable grant worth 80% of their average monthly profits over the last three years, up to £2,500 a month. This scheme will be open for at least three months – and I will extend it for longer if necessary. You'll be able to claim these grants and continue to do business. And we're covering the same amount of income for a self-employed person as we are for furloughed employees, who also receive a grant worth 80% ...

Providing such unprecedented support for self-employed people has been difficult to do in practice. And the self-employed are a diverse population, with some people earning significant profits. So I've taken steps to make this scheme deliverable, and fair:

- to make sure that the scheme provides targeted support for those most in need, it will be open to anyone with income up to £50,000.
- to make sure only the genuinely self-employed benefit, it will be available to people who make the majority of their income from self-employment
- and to minimise fraud, only those who are already in self-employment, who have a tax return for 2019, will be able to apply

95% of people who are majority self-employed will benefit from this scheme.

HMRC are working on this urgently and expect people to be able to access the scheme no later than the beginning of June. If you're eligible, HMRC will contact you directly, ask you to fill out a simple online form, then pay the grant straight into your bank account. And to make sure no one who needs it misses out on support, we have decided to allow anyone who missed the filing deadline in January, four weeks from today to submit their tax return ...

The scheme I have announced today is fair. It is targeted at those who need it the most. Crucially, it is deliverable. And it provides an unprecedented level of support for self-employed people ... But I must be honest and point out that in devising this scheme – in response to many calls for support – it is now much harder to justify the inconsistent contributions between people of different employment statuses. If we all want to benefit equally from state support, we must all pay in equally in future.<sup>10</sup>

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<sup>8</sup> ONS, [Labour market economic commentary: March 2020](#), 17 March 2020

<sup>9</sup> "[Coronavirus: Self-employed need financial help, unions warn](#)", *BBC News*, 21 March 2020

<sup>10</sup> HM Treasury, [Chancellor's statement on coronavirus \(COVID-19\)](#), 26 March 2020. See also, HM Treasury, [Chancellor gives support to millions of self-employed individuals](#), 26 March 2020

## 6 Coronavirus: Self-Employment Income Support Scheme

On 27 April 2020, the Chancellor said HMRC was “on track” to deliver the scheme in early June, and that the Government would publish detailed guidance “this week”.<sup>11</sup> At the end of that week, on 30 April, the Government published the [Treasury Direction to HMRC](#), the formal legislative guidelines for the Scheme.

On 13 May the Government announced that the SEISS was open for applications, and that those eligible to receive support would be able to receive the government grant by 25 May, or within six days of a completed claim.<sup>12</sup>

HMRC published detailed guidance on the scope of the SEISS when the Chancellor announced its introduction: [Check if you can claim a grant through the Self-Employment Income Support Scheme](#).

The most recent version of this guidance summarises the eligibility criteria as follows:

### Who can claim

You can claim if you’re a self-employed individual or a member of a partnership and all of the following apply:

- you traded in the tax year 2018 to 2019 and submitted your Self Assessment tax return on or before 23 April 2020 for that year
- you traded in the tax year 2019 to 2020
- you intend to continue to trade in the tax year 2020 to 2021
- you carry on a trade which has been adversely affected by coronavirus.

Your business could be adversely affected by coronavirus if, for example:

- you’re unable to work because you:
  - are [shielding](#)
  - are self-isolating
  - are on sick leave because of coronavirus
  - have caring responsibilities because of coronavirus
- you’ve had to scale down or temporarily stop trading because:
  - your supply chain has been interrupted
  - you have fewer or no customers or clients
  - your staff are unable to come in to work.

... You should not claim the grant if you’re a limited company or operating a trade through a trust.

To work out your eligibility we will first look at your 2018 to 2019 Self Assessment tax return. Your trading profits must be no more than £50,000 and at least equal to your non-trading income.

If you’re not eligible based on the 2018 to 2019 Self Assessment tax return, we will then look at the tax years 2016 to 2017, 2017 to 2018, and 2018 to 2019.<sup>13</sup>

This is supplemented by guidance on how different circumstances may affect someone’s eligibility: [How different circumstances affect the Self-Employment Income Support Scheme](#), 12 June 2020

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<sup>11</sup> HC Deb 27 April 2020 [c108](#)

<sup>12</sup> HM Treasury, [Applications for Self-Employment Income Support Scheme open early](#), 13 May 2020

<sup>13</sup> HMRC, [Check if you can claim a grant through the SEISS](#), 12 June 2020

HMRC's guidance also sets out how someone's grant is calculated:

### **How much you'll get**

You'll get a taxable grant based on your average trading profit over the 3 tax years:

- 2016 to 2017
- 2017 to 2018
- 2018 to 2019

We will work out your average trading profit by adding together your total trading profits or losses for the 3 tax years, then we will divide by 3.

The grant will be 80% of your average monthly trading profits, paid out in a single instalment covering 3 months, and capped at £7,500 altogether. The online service will tell you how we've worked your grant out.

The grant amount we work out for you will be paid directly into your bank account, in one instalment.<sup>14</sup>

This is supplemented by guidance on how HMRC determines trading profits and non-trading income for these purposes: [How HMRC works out trading profits and non-trading income for the Self-Employment Income Support Scheme](#), 7 May 2020.

HMRC's guidance underlines that if someone is eligible to receive a grant under the Scheme they must make a claim on or before 13 July 2020.

The Office of Budget Responsibility have estimated the cost of the scheme to be £8 billion in 2020/21, with the second grant scheme (announced on 29 May and discussed below) to be £7 billion. This is an estimate of the gross cost. The OBR estimate that just under 20 per cent of this will return to the Exchequer in additional income tax and NICs. By comparison the OBR estimate the total (net) cost of the Coronavirus Job Retention Scheme, which has also been extended, to be £54 billion in the same year. Overall the OBR estimate the direct effect of the Government's response to Covid-19 to be £132.5 billion in 2020/21.<sup>15</sup>

HMRC has started to publish statistics on both the SEISS and the Job Retention Scheme.

In the case of the SEISS, the total number of claims made by 21 June was 2.6m, worth £7.6bn in total. By contrast by 21 June the total number of jobs furloughed under the JRS was 9.2m, the total number of employers furloughing was 1.1m, while the total value of claims made was £22.9bn.<sup>16</sup>

On 11 June HMRC published more detailed statistics on the claims made up to 31 May 2020;<sup>17</sup> the main findings were as follows:

- 3.4 million self-employed individuals were identified as potentially eligible for the SEISS scheme.

This means that they met the income and trading activity criteria for the scheme based on Self-Assessment returns from 2018-19 and earlier years. However, some of these businesses will not have continued trading since 2018-19 or will not have been adversely affected by Coronavirus so will not be eligible.

<sup>14</sup> HMRC, [Check if you can claim a grant through the SEISS](#), 12 June 2020

<sup>15</sup> OBR, [Coronavirus policy monitoring database](#), 4 June 2020

<sup>16</sup> HMRC, [HMRC coronavirus \(COVID-19\) statistics](#), updated 23 June 2020

<sup>17</sup> HMRC, [Self-Employment Income Support Scheme statistics: June 2020](#), 11 June 2020. The forthcoming publication of these statistics was noted in answer to a PQ: [PQ49838](#), 3 June 2020.

## 8 Coronavirus: Self-Employment Income Support Scheme

- By 31st May, 2.4 million of the potentially eligible population (70%) had claimed a SEISS grant with the value of these claims totalling £7 billion. The average value per claim was £2,900.
- Around two-thirds of the potentially eligible population are male (2.3m)
  - A slightly lower proportion of potentially eligible females have claimed a SEISS grant (66%) compared to males (72%).
  - The average claim for females is also lower at £2,300 compared to the average claim for males of £3,200.
- Take-up of the SEISS grant is lowest for those aged over 65 (55%) and those aged 16 to 24 (62%).
- The sector with the highest number of potentially eligible individuals and the highest proportion of claims is the construction industry. By 31 May construction workers had made 800,000 claims for SEISS totalling £2.9bn.
- The two regions with the highest number of claims are London (433,000) and the South East (352,000), reflecting their relative sizes, although London has the lowest take-up rate amongst the UK countries and regions.<sup>18</sup>

Further to this, [Coronavirus business support schemes: statistics](#), Commons Briefing paper CBP8938, 17 June 2020, collates data on the number of applications and total support provided under the Government coronavirus business support schemes. Detailed guidance on the CJRS is given in, [FAQs: Coronavirus Job Retention Scheme](#), Commons Briefing paper CBP8880, 16 June 2020.

On 29 May HMRC published draft legislation to introduce rules on the taxation of coronavirus business support grants. These grants are treated as income where the business is within the scope of either income tax or corporation tax. Responses on the technical effectiveness of the measure were invited by 12 June. It is anticipated that these provisions would be added to the Finance Bill which was published after the 2020 Budget, and is in the process of being scrutinised by the House.<sup>19</sup>

Notably the legislation would also give HMRC powers to recover payments where recipients did not meet the eligibility criteria, and charge a penalty in cases of deliberate non-compliance. An extract from HMRC's draft impact note on this measure is reproduced below:

Legislation is included in Finance Bill 2020 that:

- defines a coronavirus support payment
- confirms that a COVID-19 support scheme payment received by a business, or an individual member of a partnership, is within the scope of tax. It is of a revenue nature for the purposes of calculating either Income Tax or Corporation Tax. Business includes a trade, UK or overseas property business or investment business
- provides for specific schemes to be added or excluded, and for changes about the application of this legislation to particular schemes to be made, through regulations made by the Treasury
- ensures HMRC can use its information and inspection powers to check a SEISS or CJRS claim has not been overpaid and that a CJRS payment has been used to pay furloughed employee costs
- gives HMRC powers to raise an Income Tax assessment on anyone who has received a SEISS or CJRS payment to which they are not entitled, or anyone

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<sup>18</sup> HMRC, [Self-Employment Income Support Scheme \(SEISS\) Official Statistics](#), 11 June 2020 p2

<sup>19</sup> HMRC, [Draft legislation: Taxation of coronavirus \(COVID-19\) support payments](#), 29 May 2020



who has not used a CJRS payment to pay furloughed employee costs. The assessment is equal to the amount to which they are not entitled, or they have not used to pay furloughed employee costs

- ensures the TMA 1970 provisions apply to the assessment
- gives HMRC powers to charge a penalty where a person deliberately makes an incorrect claim for a SEISS or CJRS payment.

It also gives HMRC powers to charge a penalty where a person who has claimed a CJRS payment deliberately does not use it for the costs it was intended to reimburse. The penalty will only apply if the person fails to notify HMRC about the situation within 30 days, or 30 days after the Finance Bill receives Royal Assent if it arose before that

- gives HMRC powers to make a company officer jointly and severally liable for the Income Tax charge raised in relation to any CJRS payment to which the company was not entitled or any CJRS payment which was never intended to be used to pay furloughed employee costs in certain circumstances.

Those circumstances are where the officer is culpable for making a deliberate CJRS claim to which the company was not entitled. These powers apply where HMRC can meet certain tests showing there is a serious risk that the company will be unable pay the Income Tax assessment.<sup>20</sup>

## 2.2 Extension of the Scheme to August 2020

There has been considerable interest in whether the Government might extend the SEISS,<sup>21</sup> following the Chancellor's announcement on 12 May that the Coronavirus Job Retention Scheme (CJRS) would be extended until the end of October 2020.<sup>22</sup>

When he announced the extension of the CJRS, the Chancellor noted that while the two schemes offered "parity of support", "the nature of the schemes is different in the sense that employers who have been closed and have to make employment decisions, potentially 45 days in advance in respect of redundancies, do need to be treated slightly differently in that regard. I will of course continue to keep all things ... under review."<sup>23</sup>

On 29 May the Chancellor gave more details of the way in which the JRS would be extended, and announced that a second, final grant would be provided under the SEISS in August; part of his statement is reproduced below:

I can confirm today: The self-employment income scheme will be extended, with applications opening in August for a second and final grant.

The final grant will work in the same way as the first did, paid out in a single installment covering three months' worth of average monthly profits.

To maintain the sense of fairness alongside the job retention scheme... the value of the final grant will be 70%, up to a total £6,570. Otherwise, there will be no changes and no further extensions to the schemes, which continue to be some of the most generous in the world ...

I do want to acknowledge that we haven't been able to support everyone in the exact way they would want. I understand some people have felt frustrated. But you were not and have not been forgotten. Even if you don't qualify for the furlough or self-

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<sup>20</sup> HMRC, [Corporation Tax/Income Tax – Taxation of Coronavirus Support Payments : Draft](#), 29 May 2020

<sup>21</sup> "[Coronavirus: Rishi Sunak urged by MPs to extend self-employed help](#)", *BBC News*, 29 May 2020

<sup>22</sup> HMT, [Chancellor extends furlough scheme until October](#), 12 May 2020

<sup>23</sup> [HC Deb 12 May 2020 c143](#). See also, the Chancellor's response to a question by Tracy Brabin at Treasury Questions a few days later ([HC Deb 18 May 2020 c359](#)), and, "Aid for UK self-employed in doubt despite pledge of 'parity' with furloughing", *Financial Times*, 27 May 2020.

## 10 Coronavirus: Self-Employment Income Support Scheme

employment schemes, we've provided a wide range of support ...from discounted loans, to tax cuts, mortgage holidays and enhanced welfare.<sup>24</sup>

Further details of the extension to be made to the SEISS were given in a press notice accompanying the Chancellor's statement:

- Individuals can continue to apply for the first SEISS grant until 13 July. Under the first grant, eligible individuals can claim a taxable grant worth 80% of their average monthly trading profits, paid out in a single instalment covering three months' worth of profits, and capped at £7,500 in total. Those eligible have the money paid into their bank account within six working days of completing a claim.
- Applications for the second grant will open in August. Individuals will be able to claim a second taxable grant worth 70% of their average monthly trading profits, paid out in a single instalment covering three months' worth of profits, and capped at £6,570 in total.
- The eligibility criteria are the same for both grants, and individuals will need to confirm that their business has been adversely affected by coronavirus. An individual does not need to have claimed the first grant to receive the second grant: for example, they may only have been adversely affected by COVID-19 in this later phase. Further guidance on the second grant will be published on Friday 12 June.<sup>25</sup>

In a written statement on 3 June the Chancellor confirmed "the SEISS will be extended and eligible individuals could now qualify for a second and final grant":

The extension of the SEISS now means eligible individuals whose businesses are adversely affected by coronavirus will be able to claim a second and final taxable grant when the scheme reopens for applications in August.

Individuals will be able to claim a taxable grant worth 70 per cent of their average monthly trading profits, paid out in another single instalment covering three months' worth of profits, and capped at £6,570 in total.

This is in line with changes to the CJRS as the economy reopens and the eligibility criteria remain the same for this final grant. An individual does not need to have claimed the first grant to receive the second grant: for example, they may only have been adversely affected by coronavirus in this later phase.<sup>26</sup>

HMRC's online service for the second and final grant is not available yet, but the department intend to update this guidance to let those who would be eligible when they can make their claim.<sup>27</sup>

As noted, to make a claim individuals must carry on a trade that has been "adversely affected" by coronavirus. HMRC's guidance underlines that to make a claim for a second grant, an individual's trade needs to be adversely affected on or after 14 July. The guidance also provides examples of when these criteria would be met for both the first and second grant:<sup>28</sup>

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<sup>24</sup> HM Treasury, [Chancellor's statement on coronavirus \(COVID-19\): 29 May 2020](#), 29 May 2020

<sup>25</sup> HM Treasury, [Chancellor extends Self-Employment Support Scheme and confirms furlough next steps](#), 29 May 2020

<sup>26</sup> [Update on the CJRS and SEISS : Written statement - HCWS267S](#), 3 June 2020.

<sup>27</sup> HMRC, [Check if you can claim a grant through the SEISS](#), 12 June 2020

<sup>28</sup> HMRC, [How different circumstances affect the Self-Employment Income Support Scheme](#), 12 June 2020

### Adversley Affected

The examples in the table below show when the 'adversely affected' (AA) criteria is met for the first grant. It also shows when the criteria is met for the second grant if you've been 'adversely affected' on or after 14 July 2020. To receive a grant all other criteria would also need to be met.

Scenario	AA for 1 <sup>st</sup> grant	AA for 2 <sup>nd</sup> grant
A builder's trade was not impacted. She worked on a very small building site and was still able to go to work throughout the whole of the crisis as she was able to work at a social distance.	No	No
A builder was unable to find work from March to September because of the government restrictions on building sites and the economic impact of the crisis on the companies she worked for.	Yes	Yes
A builder worked on short-term contracts on various building sites. She only had half the work she would normally have between March to May because some of her building sites were closed. She was able to work as normal from June because her building sites reopened.	Yes	No
A builder worked on short-term contracts on various building sites. She had no work from March to April because her building sites were closed. She was able to work as normal from May because she works on small house extensions which are completely outdoors.	Yes	No
A builder was able to work as normal from February to August because she works on small house extensions which are completely outdoors. However, she caught coronavirus in August, meaning she had to self-isolate and was unable to work for 6 weeks while she recovered.	No	Yes

On 15 June the Chancellor announced minor amendments to the SEISS and to the CJRS to improve access for military reservists, and for servicemen and servicewomen returning to their day job after completing a period of active duty. In the first case it was confirmed that reservists who were unable to access the SEISS as a direct result of their service in 2018-19 would be able to make a claim for both the first and second SEISS grant.<sup>29</sup>

Finally, one concern that Members have raised is that parents who have had a gap in their trading taking maternity or paternity leave, or sick leave, may be unable to claim the SEISS because they do not meet the test for making a majority of their income from self-employment:

<sup>29</sup> HM Treasury press notice, [Reservists returning to civilian work eligible for government support schemes](#), 15 June 2020

## 12 Coronavirus: Self-Employment Income Support Scheme

**Asked by Dr Rosena Allin-Khan** : To ask the Chancellor of the Exchequer, what steps he is taking to ensure that self-employed people who have recently taken (a) maternity leave and (b) extended sick leave and make a claim for support through the Self-employment Income Support Scheme do not have their average earnings calculated in a way that will disadvantage their payment.

**Answered by: Jesse Norman** : The new Self-Employment Income Support Scheme (SEISS) will help those with lost trading profits due to COVID-19. It means the UK will have one of the most generous self-employed COVID-19 support schemes in the world.

The new scheme will allow eligible individuals to claim a taxable grant worth 80% of their trading profits up to a maximum of £2,500 per month for 3 months. Self-employed individuals, including members of partnerships, are eligible if they have submitted their Income Tax Self Assessment tax return for the tax year 2018-19, continued to trade and have lost trading/partnership trading profits due to COVID-19.

Taking maternity leave, paternity leave, or sick leave does not mean that the trade has ceased and therefore should not affect a person's eligibility for the SEISS as long as the individual intends to return to the trade after the period of leave.

To qualify for the SEISS, an individual's self-employed trading profits must be less than £50,000, with more than half of their income from self-employment. Delivering a scheme for the self-employed is a very difficult operational challenge, particularly in the time available. There is no way for HM Revenue & Customs to know the reasons why an individual's profits may have dropped in earlier years from Self Assessment returns.

However, to help those with volatile income in 2018-19 for whatever reason, an individual is eligible for the SEISS if their trading profits are no more than £50,000 and at least half of their total income, for either the tax year 2018-19 or the average of the tax years 2016-17, 2017-18, and 2018-19. If eligible, they will receive a taxable grant based on their average trading profit over the three tax years, including in years where their trading profits were less than half their total income.<sup>30</sup>

On 17 June the Government announced that "self-employed parents whose trading profits dipped in 2018/19 because they took time out to have children will be able to claim for a payment under the SEISS":

The scheme ... requires claimants to have traded in 2018/19 with their profits making up at least half of their total income. They must also have submitted a self-assessment tax return on or before 23 April 2020 for the 2018/19 tax year.

The Treasury has ensured parents, including mothers, fathers and those who have adopted, who took time out of trading to care for their children within the first 12 months of birth of the child or within 12 months of an adoption placement, will now be able to use either their 2017-18 or both their 2016-17 and 2017-18 self-assessment returns as the basis for their eligibility for the SEISS.

They will also need to meet the other standard eligibility criteria for support under the SEISS. Further details of the change for self-employed parents will be set out by the start of July in published guidance.<sup>31</sup>

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<sup>30</sup> [PQs37888, 37803 & 37714](#), 28 April 2020. See also, [PQ51985](#), 4 June 2020.

<sup>31</sup> HM Treasury press notice, [Self-employed new parents can claim support grant](#), 17 June 2020. See also comments by BEIS Minister Paul Scully the same day: [HC Deb 17 June 2020 c785](#).

## 3. Reactions to the SEISS

### Initial responses

The SEISS appears to have been widely welcomed when it was first announced.<sup>32</sup>

The Director-General of the CBI Dame Carolyn Fairbairn, CBI Director-General, commented, “many self-employed people across the UK will be hugely relieved tonight. These new measures will provide essential support to those facing significant uncertainty and loss of income.”<sup>33</sup> Mike Cherry, National Chairman of the Federation of Small Businesses (FSB) said, “it is very welcome that the Government has listened to FSB and responded with a multi-billion-pound package to support our entrepreneurs, and to do so through the self-assessment system,”<sup>34</sup> although in a second press notice Mr Cherry raised concerns that some groups were excluded from its scope: “These include directors of smaller limited companies who pay themselves through dividends or dividends and salary ... [and] those who have more recently become self-employed, and those whose profits are above the cap of £50,000 a year.”<sup>35</sup>

There were also concerns about the timing of this support package as the Chancellor initially indicated that the Scheme might not be up and running until early June.<sup>36</sup> The BBC quoted the then Shadow Chancellor John McDonnell who suggested that there was “a real risk that without support until June the self-employed will feel they have to keep working, putting their own and others' health at risk.”<sup>37</sup> An editorial in the *Guardian* argued the Chancellor “has not gone far enough for the lowest-paid. The self-employed earn about half the amount of those in employment. Covering 80% of poverty wages is just another form of financial destitution. And the money doesn't come until June.”<sup>38</sup>

By contrast a leader in the *Times* suggesting that “what Mr Sunak has produced is more generous than many expected and perhaps more generous than it needed to be ... if anything the package is even more generous than it is for employees because ... the self-employed will be able to claim a grant irrespective of whether their income has actually fallen as a result of the crisis. If everyone eligible claims, it could cost £10 billion for three months.”<sup>39</sup> This was also a point raised by the Resolution Foundation in a blog post on the Chancellor's announcement:

This scheme is in fact much more generous in some ways than that for employees. Although the Chancellor pitched it as being targeted at self-employed workers actually affected by the coronavirus outbreak, in practice self-employed people will be able to claim a grant irrespective of whether their income has actually fallen. This blanket payment approach means that the costs of operating this scheme will be high, although also highly uncertain. HM Revenue and Customs data on self-employed earnings suggests that it could cost around £10 billion over three months if everyone entitled to it claimed.

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<sup>32</sup> See, for example, “Sunak reveals coronavirus bailout for self-employed, but they must wait until June”, *Times*, 27 March 2020

<sup>33</sup> CBI press notice, [CBI response to new self-employment support](#), 26 March 2020

<sup>34</sup> FSB press notice, [FSB welcomes government support package for self-employed](#), 26 March 2020

<sup>35</sup> FSB press notice, [FSB highlights gaps in coronavirus income support measures for self-employed](#), 1 April 2020

<sup>36</sup> See, for example, “Rishi Sunak unveils rescue package for self-employed workers”, *Financial Times*, 26 March 2020

<sup>37</sup> BBC News, [Coronavirus: UK government unveils aid for self-employed](#), 26 March 2020

<sup>38</sup> “Editorial: The Guardian view on government bailouts: steadying unsteady jobs”, *Guardian*, 26 March 2020

<sup>39</sup> “Leader: Equal Pay - Government support for the self-employed was extremely generous”, *Times*, 27 March 2020

Given that it is very difficult to know in real-time the extent to which self-employed people's incomes have been hit in this crisis, a more targeted approach would have been to focus the scheme on those most likely to be facing challenges, or those who certify that they are in practice experiencing hits to their incomes. For example, there are 1.7 million self-employed workers who are likely to face major income losses because they work in the sectors most affected by the current lockdown, or are parents affected by school closures.<sup>40</sup>

### Institute for Fiscal Studies (IFS) analysis : April 2020

The [IFS published analysis of the coronavirus income support schemes](#) on 2 April.<sup>41</sup> This looked at both the SEISS and the Job Retention Scheme, as well as other changes to social security benefits.

The authors argued that “the wait until June for the grant to arrive means it is important to ensure the quick delivery of other mechanisms for the self-employed to access cash in the short term.” They estimated that between March and June, self-employed families would on average lose around 40% of their normal income, that quarter of these families would not have liquid assets to cover the three months' lost earnings, and 15% would not have enough to cover a single month.:

Very little extra protection is afforded to self-employed workers over the next couple of months: almost half of them would see their family income fall by at least 40% if their work dried up (a figure barely affected by recent increases in universal credit). However, in June most self-employed workers will receive a large grant – up to 80% of three months' normal profits – if they report being affected by coronavirus at all. If the scheme is extended beyond June, a self-employed person whose business is completely shut down would have a family income thereafter around 14% lower than before the crisis, on average – similar to employees – as opposed to 44% in the absence of recent reforms.<sup>42</sup>

They went on to suggest that “the temporary measures are not as well targeted as we would expect in normal times”:

On average these are very generous schemes, replacing more than 80% of net family income for both employees and the self-employed, but there is a lot of variation. **Many of the self-employed will be left financially better off as a result of this crisis, while some will get no support at all.**<sup>43</sup>

Specifically, the IFS found a substantial number of the self-employed would be financially better off as a result of the schemes:

In June, the SEISS money arrives and everything changes for the self-employed ... A lump sum of £7,500, or 240% of their historical profits (if lower), is very large in a single month, and a majority of the self-employed will see above-average income that month even if they have had to stop work completely.

Whether it is enough, or even more than enough, to repay any borrowing (or make good any dissaving) from the previous months of hardship will depend on a variety of factors, including the exact timing and extent of the decline in their trade, whether their overall income and assets are low enough to qualify for means-tested support, and how far they have been able to cut back on their costs. Other government

<sup>40</sup> Torsten Bell, Mike Brewer, Laura Gardiner, Karl Handscomb and Daniel Tomlinson, [Unprecedented support for employees' wages last week has been followed up by equally significant, and even more generous, support for the self-employed. But gaps remain](#), Resolution Foundation, 27 March 2020

<sup>41</sup> IFS press notice, [Fast choices by government provide generous income support to most workers, but leave some with nothing and others with too much](#), 2 April 2020

<sup>42</sup> Stuart Adam Helen Miller, Tom Waters, [Income protection for the self-employed and employees during the coronavirus crisis](#), Institute for Fiscal Studies, 2 April 2020 p2

<sup>43</sup> IFS press notice, [Fast choices by government provide generous income support to most workers, but leave some with nothing and others with too much](#), 2 April 2020

policies such as the business rate holiday and grants for firms occupying low-value premises and deferral of other tax payments, which are not our focus here, will help in this regard.

The only self-employed people who will not have a higher income in June than they would have had without the coronavirus are:

- those who do not report being hit by the coronavirus at all, and are therefore not eligible for the SEISS...
- the minority of the self-employed who do not qualify for the SEISS – because self-employment accounts for a minority of their income, because their historical profits are above £50,000 a year, or because they set up their business in the past year and do not have a 2018–19 tax return with a record of their self-employment;
- the few whose average profits from April 2016 to April 2019 were much lower than they are now – or would be in the absence of the coronavirus – for whom even 240% of that long-run average is less than the lost profits now. ...

In fact, a quarter of the self-employed will be financially *better* off than if the coronavirus had never struck, even if their business dries up completely. This is perhaps surprising, since the SEISS would appear to replace at most 80% of their earnings. It happens for two overlapping groups of people:

- those earning little enough that the 20% of lost earnings not made up by the SEISS is outweighed by the benefit giveaways;
- those who would now – even in the absence of the coronavirus – be earning much less than they averaged from April 2016 to April 2019, so that their current lost earnings are less than the 80% of that historical earnings level they receive through the SEISS.<sup>44</sup>

## Commentary on the prospects for future tax reform

Outlining the support measures, the Chancellor commented that:

...I must be honest and point out that in devising this scheme – in response to many calls for support – it is now much harder to justify the inconsistent contributions between people of different employment statuses.

If we all want to benefit equally from state support, we must all pay in equally in future.<sup>45</sup>

Reporting on the announcement, BBC economics editor Faisal Islam described this as the “Sting in the tail” for these support measures.<sup>46</sup>

### Different tax treatment self-employed and employees

Employees pay income tax and primary Class 1 NICs on their earnings, deducted at source by their employer under PAYE. Their employer will be liable to pay secondary Class 1 NICs on the employee's earnings. By contrast, self-employed persons providing their services to clients will receive any payments gross of tax, and be responsible for paying income tax and NICs on their annual profits. Individuals who are self-employed are liable to pay both Class 2 NICs, a weekly flat-rate charge, and Class 4 NICs, based on a percentage of their annual profits.

There is a significant financial advantage to individuals working as self-employed rather than as employees. The rate of NICs that the self-employed pay is lower than the rate paid by employees (9% vs 12%), and the self-employed face no equivalent to employer NICs (charged at 13.8%). Employers also have incentives to engage self-employed workers, rather than take on employees:

<sup>44</sup> Stuart Adam et al., [Income protection for the self-employed and employees during the coronavirus crisis](#), Institute for Fiscal Studies, 2 April 2020 p2, pp11-2

<sup>45</sup> HM Treasury press notice, [Chancellor outlines new coronavirus support measures for the self-employed](#), 26 March 2020

<sup>46</sup> BBC, [Coronavirus: UK government unveils aid for self-employed](#), 26 March 2020

the absence of employer NICs on the payments they make, and the absence of employment rights which employees have.

Over the last decade there has been a significant growth in the numbers of self-employed persons, as well as the numbers of individuals providing their services through a limited liability company that they run as a company owner-manager. While these two groups are often considered together, there are important differences in their treatment by tax and legal systems. In the case of incorporated companies, the profits the company makes are liable to corporation tax, while its employees will be liable for income tax and NICs on their earnings. Company owner-managers may choose to pay themselves dividends to realise a further tax saving as dividend income is subject to income tax but not NICs.

In 2017 the Institute for Fiscal Studies published some analysis to illustrate the tax drivers to self-employment and incorporation.<sup>47</sup> For a person generating £40,000 of income per year, the total tax liability, taking into account both employer and employee NICs as well as the individual's income tax, would be £12,146 if that person worked as an employee. The tax liability would be £8,713 if this income was earned through self-employment, and £7,358 someone provided their services through a company, and paid themselves dividends rather than wages.<sup>48</sup>

Although the Chancellor did not give discuss a time frame for any review, several commentators picked up on this part of his statement.

Paul Johnson, director of the IFS, tweeted, "Note Rishi Sunak also said quid pro quo for this support for self-employed now will be a review of the tax/NI they pay in future. They currently pay much less than employees. This package is more generous to them than to employees. An issue for another day, but welcome commitment."<sup>49</sup> Judith Freeman, Oxford Professor of Tax Law, tweeted, "Help rightly announced for self-employed but point made clearly that if they want help from the state they will need to pay the same contributions to the state in future as employees do. I really hope this is the beginning of serious, radical reform."<sup>50</sup> Andy Summers, Professor of Law at LSE, tweeted, "Brave and sensible for [the Chancellor] to seed this now, even just as 'in principle' observation."<sup>51</sup>

### The Treasury Select Committee's report : June 2020

Following the 2020 Budget, the Treasury Select Committee launched [an inquiry](#) on the economic impact of Covid-19. The inquiry is ongoing although on 15 June the Committee published an interim report highlighting those groups of people who have been unable to benefit from either the Self-Employment Income Support Scheme or the Coronavirus Job Retention Scheme.<sup>52</sup> In the case of the SEISS, the Committee raised concerns about the 'cliff-edge' impact of the £50,000 threshold, the position of owner-managers running their own companies, freelancers who did not make over 50% of their income from self-employment, and those who only started in self-employment after April 2019.

An extract from the report is reproduced below:

While the Committee recognises the importance of allocating financial support to those who earn the least, the design of the SEISS means that hundreds of thousands of people are potentially suffering financial hardship because of the arbitrary £50,000

<sup>47</sup> [Tax, legal form and the gig economy](#), Institute for Fiscal Studies, February 2017; and, Helen Miller, "Tax in a changing world of work", *Tax Journal*, 21 April 2017. These estimates are for 2017/18.

<sup>48</sup> For further analysis see, Institute for Fiscal Studies, [Lack of employment rights doesn't justify lower taxes for the self-employed](#), June 2018; Office for Budget Responsibility, [2017 Fiscal Risks report](#), Cm 9459, July 2017 (see in particular [para 5.54-80](#)); [National Insurance Contributions \(NICs\) and the self-employed](#), [Commons Briefing paper CBP7918](#), 21 December 2018.

<sup>49</sup> <https://twitter.com/PJTheEconomist/status/1243229884446650371>

<sup>50</sup> <https://twitter.com/JudithFreedman/status/1243223947048558593>

<sup>51</sup> [https://twitter.com/Summers\\_AD/status/1243232843679047683](https://twitter.com/Summers_AD/status/1243232843679047683)

<sup>52</sup> Treasury Select Committee press notice, [Government must act over gaps in support during lockdown](#), 15 June 2020



cut-off that has no equivalent in the job retention support scheme. We are not suggesting that the Government rolls out blanket support to all but it cannot be right to have a system where, in one household, a self-employed single-parent earning just above the cap receives nothing while next door, a couple, either both self-employed and earning profits below the cap, or salaried employees with full entitlement to CJRS receive up to £5,000 a month.

*The Government must tackle the cliff edge that exists in the design of the SEISS by removing the £50,000 cap and allowing those with profits just over this cap access to some financial support, up to the total monthly support cap of £2,500 (as for salaried employees).*

The Government has acknowledged the issue of hundreds of thousands of limited company directors missing out on support but has so far failed to take any action. Many of these individuals, who have a key role to play in firing up the economy again, are facing significant financial hardship.

*The Government must find a practical solution to supporting hundreds of thousands of limited company directors who are missing out on support because they pay themselves in dividends. IPSE has presented the Treasury with a ready-made solution whereby HMRC would request additional information about the proportion of dividends that have come from company profits and from other sources and require self-certification by the applicant. HMRC would reserve the right to investigate claims and, if it was later found that applicants had inflated their figures, HMRC would reclaim the support with penalties. While we recognise that this approach may require significant resources, we urge the Government to accept and implement this proposal. While it will have immediate cost implications, it could mitigate future economic scarring and safeguard future tax revenues.*

It cannot be right that distinct groups of individuals fail to benefit from the Government's principal support schemes when the shutdown has taken away their livelihoods overnight through no fault of their own.

*We call on the Government to recognise the impact of the coronavirus on PAYE freelance workers and establish a system of support which ensures that this group of people can access financial support during the crisis. We recommend it gives this group access to financial support that equates to 80 per cent of their average monthly income earned in the first 11 months of the 2019–20 tax year, based on their PAYE tax record in year. This support should be available up to a total of £2,500 per month (as for salaried employees).*

The Government needs to quickly find a way of supporting the many people who have started a new business, or built their business up in the last year, but are unable to qualify for support because they cannot fulfil the eligibility criteria required by the SEISS.

*The Committee recognises the challenges of offering support to those who need it while implementing the safeguards required to mitigate the very real risk of fraudulent claims for support. However, we encourage the Government to undertake an urgent review to see how it can extend support to those newly self-employed who are unable to benefit from the SEISS.*<sup>53</sup>

The Committee noted that "the Chancellor has often cited the administrative difficulties in addressing issues given the speed with which he has to act", but argued "he has now extended the schemes and therefore has more time to tackle these complexities":

The Government must adapt its existing schemes or develop new support mechanisms to help these people if it is to completely fulfil its promise of doing whatever it takes to protect people and businesses from the impact of the pandemic. The Chancellor has indicated that he may, in future, reform the tax arrangements for self-employed people, in part justifying this on the basis of the Government's fair treatment now of

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<sup>53</sup> Treasury Committee, [Economic impact of coronavirus: Gaps in support](#), HC 454, 15 June 2020 pp19-20

## 18 Coronavirus: Self-Employment Income Support Scheme

those self-employed people affected by the crisis. Any lack of fairness in these support schemes may undermine this.<sup>54</sup>

To date the Government has not published a response to the report.

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<sup>54</sup> *op.cit.* para 65-6

## 4. FAQs

### Q1. Who is eligible for the SEISS?

HMRC have produced an [online tool](#) which people can use to check their eligibility to make a claim. You will need your Self Assessment Unique Taxpayer Reference and National Insurance number to be able to check eligibility.

The Treasury Direction says a claim must be made by a qualifying person. A person is a qualifying person if the following conditions are met:

- They make more than half of their income from self-employment, up to £50,000 in profit per year.
- They have carried on a trade in 2018/19 and 2019/20, and submitted their tax return for the tax year 2018/19 on or before 23 April 2020.
- They are trading in 2020/21 when they apply (and/or intend to continue to trade in the 2020/21 tax year) and have been financially adversely affected by the Coronavirus outbreak.<sup>55</sup>

### Q2. Who is not eligible?

The Chancellor has said “95% of people who are majority self-employed will benefit from this scheme.”<sup>56</sup> There are, however, some people who will not be eligible to apply:

- **The scheme will not apply to those who operate under a company structure and take dividends. However, the scope of the Coronavirus Job Retention Scheme extends to owner/managed companies.**
- **Those who became self-employed after April 2019 will not have a tax return and therefore will not qualify for the scheme. The income support scheme will only be provided for people who have a tax return for 2018/19.**

The Financial Secretary to the Treasury, Jesse Norman, explained the reasons for this in response to a PQ:

It has not been possible to include those who began trading after the 2018-19 tax year in the Self Employment Income Support Scheme (SEISS). This was a very difficult decision and it was taken for practical reasons.

Unlike employee income, self-employed income is not reported monthly, but at the end of each tax year on the individual's Income Tax Self Assessment return. This means that the most reliable and up-to-date record of self-employed income is from 2018-19 tax returns, which were due at the end of January 2020.

The Government recognises that those who started trading more recently will not have submitted a tax return for the 2018-19 tax year, and it considered alternative approaches. However, HMRC would not be able to distinguish genuine self-employed individuals who started trading in 2019-20 from fake applications by fraudulent operators and organised criminal gangs seeking to exploit the SEISS.<sup>57</sup>

In answer to a second PQ on 9 June the Minister added these points:

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<sup>55</sup> [The Coronavirus Act 2020 Functions of Her Majesty's Revenue and Customs \(Self-Employment Income Support Scheme\) Direction](#) and HMRC, [Check if you can claim a grant through the SEISS](#), 12 June 2020

<sup>56</sup> HM Treasury, [Chancellor outlines new coronavirus support measures for the self-employed](#), 26 March 2020

<sup>57</sup> [PQ43971](#), 15 May 2020. See also [PQ52498](#), 9 June 2020.

The SEISS is governed by a Direction issued by the Treasury. That Direction clearly sets out the parameters of the scheme, including the eligibility and payment calculation rules. The 2018-19 return must have been filed by 23 April 2020, and no amendments made after 6pm on 26 March will be taken into account. The SEISS makes no provision to accept later returns or amendments, for example on reasonable excuse or error grounds. If claimants feel HMRC have got their eligibility decision wrong they may ask for a review, following the process set out on GOV.UK.<sup>58</sup>

In April the ONS published an overview of self-employment across the UK, and as part of this estimated that 3% of self-employed people (151,000) have been self-employed only since after the end of the tax year ending 2019. The authors underline that “as our data cover January to December 2019, these estimates will not include people who have become self-employed since the start of 2020 and might under-report the extent of newly self-employed people.”<sup>59</sup>

Further to this, in answer to a PQ asking for the numbers registered as self-employed since 6 April, the Minister explained, “The newly self-employed have until 5 October after the end of the tax year in which they become self-employed to register with HMRC and until the following 31 January to file a return. Reliable data only becomes available after these dates are passed.”<sup>60</sup>

- **Those who made less than 50% of their income from self-employment in 2018/19. The qualifying 2018/19 tax return must show that an individual made the majority of their income (over 50%) from self-employment during the year.**

The Financial Secretary has confirmed the Government has no plans to amend this provision:

The Self-Employment Income Support Scheme (SEISS) is only available to those whose trading profit makes up 50% or more of their total income, as the SEISS aims to provide financial support to those who rely on self-employment as their main source of income. Many individuals earn small amounts of income from self-employment in addition to income from employment and other sources. These individuals may benefit from other policies such as the Coronavirus Job Retention Scheme.

Individuals may have access to a range of grants and loans depending on their circumstances, and the SEISS supplements the significant support already announced for UK businesses, including the Coronavirus Business Interruption Loan Scheme and the deferral of tax payments. More information about the full range of business support measures is available at [www.businesssupport.gov.uk/coronavirus-business-support/](http://www.businesssupport.gov.uk/coronavirus-business-support/).<sup>61</sup>

- Those who made more than £50,000 each year from self-employment. However, HMRC will take average profits over the time period. This means that so long as average profits across the three years fall below £50,000, you will be eligible for the scheme. The Government says the Scheme is targeted at “those who need it the most” and who are “most reliant on their self-employment income” hence the £50,000 profit cap.<sup>62</sup>

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<sup>58</sup> [PQ52597](#), 9 June 2020

<sup>59</sup> Office for National Statistics, [Coronavirus and self-employment in the UK](#), 17 April 2020

<sup>60</sup> [PQ43702](#), 14 May 2020

<sup>61</sup> [PQ48534](#), 22 May 2020. See also, [PQ57245](#), 15 June 2020

<sup>62</sup> [PQ40735](#), 4 May 2020

The Institute for Fiscal Studies (IFS) estimates that in total around 2 million people with some self-employment income (38% of them) will not have it covered by the scheme.<sup>63</sup> The Government's assertion of 95% coverage is only for those who get the majority of their earnings from self-employment.

In answer to a PQ on 14 May the Financial Secretary stated that, "HMRC are currently using Self-Assessment data to identify those eligible for the Self-Employment Income Support Scheme (SEISS), and aim to contact those eligible by mid-May 2020. An updated estimate of the numbers excluded will not be held until this work has concluded."<sup>64</sup>

In answer to a second PQ at this time the Minister underlined the point that, "HMRC do not refuse applications for the scheme. People are either eligible to apply for SEISS and therefore given access to the service, or they are ineligible and not given access. Eligibility is based strictly on the criteria set by the Chancellor." He went on to note, "figures relating to the number identified as potentially eligible, yet not claiming, are not available as this is not a HMRC decision. Once the scheme is closed, HMRC will be able to quantify how many of those identified as potentially eligible did not apply."<sup>65</sup>

### Q3. What if I have fewer than three years' worth of tax returns?

HMRC's guidance states that for those individuals who started trading between 2016-2019, HMRC will only use those years for which they filed a Self-Assessment tax return. This means HMRC will look at one year's earnings (2018/19) if that is all an individual has. If they have two years of returns, they will average the monthly earnings across that period. If they have three, they will do the same but across three years.<sup>66</sup>

### Q4. Why is there a £50,000 cap?

Unlike the Government's Coronavirus Job Retention Scheme, the SEISS has an earnings limit for eligibility set at £50,000 profits. Some people have argued this is unfair. The Government's rationale for setting a £50,000 cap has been set out in answer to several PQs: for example:

**Asked by Lord Black of Brentwood** : To ask Her Majesty's Government what is the justification for the cap on trading profits in order to access the Self-Employment Income Support Scheme to be set at £50,000 when there is no cap on earnings in the eligibility criteria for the Coronavirus Job Retention Scheme.

**Answered by: Lord Agnew of Oulton** : The Coronavirus Job Retention Scheme (CJRS) and Self-Employment Income Support Scheme (SEISS) are different schemes. The CJRS is designed to prevent businesses laying off staff. The SEISS is designed to support the living standards of the self-employed.

The SEISS, including the £50,000 threshold, is designed to target those who need it most and who are most reliant on their self-employment income. The self-employed are a very diverse population. They have a wide mix of turnover and profits, with monthly and annual variations even in normal times. The self-employed can also offset losses against profits in other years and other forms of income. Some may see their profits unaffected by the current situation, while others will have substantial alternative forms of income. For example, those who had more than £50,000 from

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<sup>63</sup> IFS press notice, [Fast choices by government provide generous income support to most workers, but leave some with nothing and others with too much](#), 2 April 2020

<sup>64</sup> [PQ44001](#), 14 May 2020

<sup>65</sup> [PQ43927](#), 14 May 2020

<sup>66</sup> HMRC, [How HMRC works out trading profits and non-trading income for the Self-Employment Income Support Scheme](#), 7 May 2020

self-employment profits in 2017-18 had an average total income of more than £200,000.

In addition, the self-employed can continue to work and remain eligible for the taxable grant as long as they meet the other criteria, including their trade being adversely affected as a result of COVID-19.

Those with average profits above £50,000 may still benefit from other support. Individuals may have access to a range of grants and loans depending on their circumstances. The SEISS supplements the significant support already announced for UK businesses, including the Bounce Back Loan Scheme for small businesses, the Coronavirus Business Interruption Loan Scheme, and the deferral of tax payments. More information about the full range of business support measures is available on GOV.UK.<sup>67</sup>

The issue was raised with Treasury Minister Stephen Barclay when he gave evidence to the Treasury Select Committee on 29 April:

**Mr Steve Baker:** On the 50k cut-off, it is obviously causing horror to people. We have all had cases, I am sure, including you, where people are just over the threshold and get nothing. For people who are self-employed, why can you not dispense with that 50k cut-off and instead use the £2,500 a month cap on what you pay people? ...

**Stephen Barclay:** ...The way this is designed is off the self-assessment tax forms. That is the operational design. That is where the £50,000 threshold has been linked and that enables us to cover 95%. In a way, it goes back to your earlier question. There is a desire from the Committee, which I understand, as was explored in one of the previous hearings, to deliver schemes at speed, but there is an equal desire to cover every single scenario. We have sought to have a package of measures. This covers 95% of people in self-employment where it is the majority of their income, but there are other measures alongside it. It is important that we look at the total package of measures.

**Mr Baker:** You have made that very clear. ... Is the problem not that, if you had two high-paid furloughed employees in a household, they would be very much better off than a household where somebody was just over the threshold? Again, I say to you, surely the thing to do here is to use the cap in what you pay out, instead of looking at the cap of what people usually earn.

**Stephen Barclay:** We have been asked this question of household income: could we not do this assessment from a household income? Indeed, when we come to major fiscal events, the distributional analysis is linked to household income, but there is a significant time period. Often it takes up to two years to do those household surveys, to design them and get that data back. It is the operational design that is driving this. That is why it is based in the way that it is.<sup>68</sup>

### Q5. How do I apply for a grant?

Since the launch of the Scheme, HMRC has been contacting individuals directly if they think someone is eligible. Applicants need to complete the application themselves through the Government Gateway account. Tax agents/advisers cannot make the claim on someone's behalf, but they can check their eligibility.<sup>69</sup>

Individuals who cannot claim online should contact HMRC for help ([HMRC's contact number](#) is, 0800 024 1222, and is open Monday to Friday: 8am to 4pm).

In evidence to the Treasury Select Committee, prior to the Scheme's launch, Jim Harra (HMRC's Chief Executive) explained, "We have the data to calculate people's entitlement,

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<sup>67</sup> [HL PQ3990, 20 May 2020](#). See also, [PO53286](#), 8 June 2020.

<sup>68</sup> Treasury Committee, [Oral evidence: Economic impact of coronavirus](#), HC 271, 29 April 2020 Qs 322-3

<sup>69</sup> HMRC, [Check if you can claim a grant through the SEISS](#), 12 June 2020. See also, LITRG, [How to claim a grant under the Self-Employment Income Support Scheme \(SEISS\)](#), 7 May 2020.

but we need two things from them. First of all, we need them to say whether they wish to claim, because it is only open to people whose incomes have been affected by coronavirus, and we will need their bank account details. I do not have, off hand, the number that we would have bank account details for. Some self-employed people put bank-account details on their tax return if they are entitled, for example, to a repayment, but very often those are the bank account of a nominee, such as an agent.”<sup>70</sup>

More recently in answer to a PQ the Financial Secretary noted, “accountants, tax agents or advisers cannot make claims on behalf of their clients. Designing a scheme that enabled agents to do this would have taken significantly longer to deliver, at a time when speed is a priority.”<sup>71</sup>

## Q6. Is there a closing date for applications?

Yes. If someone is eligible and wants to claim a grant under the Scheme, they must make their claim [on or before 13 July 2020](#).

## Q7. How much will I receive?

Subject to the £7,500 cap, the amount you will receive will depend upon your taxable profits. [HMRC has produced guidance setting out how it will calculate taxable profits](#), which includes this example:

If HMRC have confirmed you are eligible for the first grant and, for example, you made an average trading profit of £42,000 over the 3 tax years, this is how we will work out how much grant you will get.

### Example

Average trading profit	£42,000
Divide by 12	£3,500
Multiply by 3	£10,500
Work out 80%	£8,400

As the maximum amount payable for this grant is £7,500 that is the amount you will receive.<sup>72</sup>

## Q8. When will I receive the grant?

After you have submitted your claim, the grant will be paid into nominated accounts within 6 days. With the applications process opened on 13 May, the Government has stated that those eligible to receive support would be able to receive their grant by 25 May, or within six days of a completed claim.<sup>73</sup>

## Q9. Can I continue to trade or get a second job?

Yes. HMRC’s guidance on the Scheme underlines that, “if you receive the grant you can continue to work, start a new trade or take on other employment including voluntary

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<sup>70</sup> Treasury Committee, [Oral evidence: Economic impact of coronavirus](#), HC 271, 8 April 2020 Q101

<sup>71</sup> [PQ45260](#), 19 May 2020

<sup>72</sup> HMRC, [How HMRC works out trading profits and non-trading income for the Self-Employment Income Support Scheme](#), 7 May 2020

<sup>73</sup> HM Treasury, [Applications for Self-Employment Income Support Scheme open early](#), 13 May 2020. See also, HMT, [Letter from the Chancellor to expert tax community, 4 May 2020](#).

work, or duties as an armed forces reservist.”<sup>74</sup> This point has also been made in answer to PQs.<sup>75</sup> It is worth noting that the Treasury Direction states that to qualify for making a claim, someone must “carry on a trade the business of which been adversely affected by coronavirus or coronavirus disease” : para 4.2(b).

The Treasury Direction uses the same term in its description of claims made under the Scheme:

### Claims

**3.1** A claim for a payment under SEISS must be made in such form and manner and contain such information as HMRC may require at any time (whether before or after payment of the claim) to establish entitlement to payment under SEISS.

**3.2** A claim must be made by a qualifying person.

**3.3** A claim may only be made in relation to a trade the business of which has been adversely affected by coronavirus or coronavirus disease.

**3.4** No claim may be made if it is abusive or is otherwise contrary to the exceptional purpose of SEISS.<sup>76</sup>

In their guidance on the Scheme the Low Incomes Tax Reform Group underline that when making an application for a grant, individuals will be asked to confirm their self-employment profits have been adversely affected by Covid-19:

Some examples of this are if you have not been able to work for periods of time due to self-isolating, shielding or as a consequence of caring responsibilities, or if your business has had to temporarily close or scale down due to lockdown, staff shortages, or a lack of customers. You will be expected to keep business records to show how your business has been affected and that you are eligible to claim the grant.<sup>77</sup>

As has been noted, the SEISS does not disincentivise people from continuing to work, either in their original trade or by taking a new job.<sup>78</sup> The Scheme differs from the Job Retention Scheme in that grants paid under the SEISS will not cover actual loss of earnings. Rather, the SEISS pays out at a level calculated based on past earnings. So, even if a self-employed individual has seen only a small reduction in their profits since the launch of the Scheme, they will still get a full grant. In their detailed commentary on the Scheme, the Institute for Fiscal Studies noted that some self-employed workers would therefore be financially better off than they would have been without the crisis.<sup>79</sup>

### Q10. What if I think my grant is too low?

HMRC’s guidance states that if someone believes their grant is too low, “you should [check how much you’ll get](#) or contact your tax agent or adviser for help. If you still think the grant amount is too low, you or your agent can ask HMRC to [review your grant amount](#).”<sup>80</sup>

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<sup>74</sup> HMRC, [Check if you can claim a grant through the SEISS](#), 12 June 2020

<sup>75</sup> [PQ HL3124](#), 5 May 2020

<sup>76</sup> [The Coronavirus Act 2020 Functions of Her Majesty’s Revenue and Customs \(Self-Employment Income Support Scheme\) Direction](#)

<sup>77</sup> LITRG, [Coronavirus: Self-Employment Income Support Scheme](#), 20 May 2020

<sup>78</sup> Stuart Adam & Helen Miller, [Help is coming for \(most of\) the self-employed](#), IFS, 26 March 2020

<sup>79</sup> IFS press notice, [Fast choices by government provide generous income support to most workers, but leave some with nothing and others with too much](#), 2 April 2020

<sup>80</sup> HMRC, [Claim a grant through the Self-Employment Income Support Scheme](#), 22 June 2020



## Q11. What do I have to do after I receive my grant?

HMRC's guidance sets out how recipients need to keep records of the grant they have received, and report this income:

### Record keeping and reporting

You must keep a copy of all records in line with normal [self-employment record keeping requirements](#), including:

- the amount claimed
- the claim reference number

You should also keep any evidence that your business has been [adversely affected by coronavirus](#) such as:

- business accounts showing a reduction in turnover
- confirmation of any coronavirus-related business loans you have received
- dates your business had to close due to lockdown restrictions
- dates you or your staff were unable to work due to coronavirus symptoms, shielding or caring responsibilities due to school closures

You will need to report the grant:

- on your Self Assessment tax return for tax year 2020 to 2021
- as self-employed income for any [Universal Credit claims](#)
- as self-employed income and that you're working 16 hours a week, as [changes to your tax credits claims](#)

The grant should be treated as income received on the day it's paid for any Universal Credit claims or tax credit changes.

The grant does not need to be repaid but will be subject to Income Tax and [self-employed National Insurance](#) from the day you receive it.<sup>81</sup>

In their guidance on the Scheme the Low Incomes Tax Reform Group underline the importance of keeping business records:

As part of the claim process you will confirm that you meet all of the [eligibility criteria](#) and HMRC will explain how the grant has been calculated and what you will receive. It is important to either print or take a screenshot of the calculation of your SEISS grant and the grant claim reference ...

Remember it is important to keep records detailing how your business was adversely affected by the coronavirus outbreak. The records could include details of when your business premises were closed, when you were unable to work because of shielding or caring responsibilities (for example if you are home-schooling) or any business support loans you have applied for.<sup>82</sup>

## Q12. Is the grant liable to tax?

Yes. HMRC's guidance confirms that "the grant does not need to be repaid but will be subject to Income Tax and [self-employed National Insurance](#)."<sup>83</sup> HMRC has published draft legislation, to be added to the [Finance Bill 2019-21](#), that confirms a grant made under the SEISS and other coronavirus support payments, are subject to tax.<sup>84</sup>

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<sup>81</sup> HMRC, [Claim a grant through the Self-Employment Income Support Scheme](#), 22 June 2020

<sup>82</sup> LITRG, [Coronavirus: Self-Employment Income Support Scheme](#), 20 May 2020

<sup>83</sup> HMRC, [Check if you can claim a grant through the SEISS](#), 12 June 2020

<sup>84</sup> HMRC, [Draft legislation: Taxation of coronavirus \(COVID-19\) support payments](#), 29 May 2020

The Chartered Institute of Taxation's guidance on the Scheme underlines that, "the grant received will be subject to Income Tax and Class 4 National Insurance Contributions ... The SEISS grant is taxable in the year of receipt (i.e. 2020/21), meaning that there will be no apportionment back to the tax year 2019/20. It should therefore be reported in full on your 2020/21 self-assessment tax return."<sup>85</sup>

The Low Incomes Tax Reform Group have raised concerns that claimants might assume "the amount is exempt from tax, particularly as it is described by the Government as a grant":

The term 'grant' may be construed as meaning something given or awarded to you, for example, and could easily be conflated in people's minds with grants for studying/scholarships which would not normally be taxable. When referring to the Self-Employment Income Support Scheme grant, we acknowledge that Government and HMRC have referred to it as a 'taxable grant' – nevertheless, anecdotal evidence from our contact with claimants suggests their awareness of it being taxable may be low ... Victoria Todd [head of LITRG] said, "The Government has announced recently that a second wave of grants will be paid under the scheme in August 2020. We urge HMRC to do as much as they can to publicise that the grants are chargeable to income tax and National Insurance, to reduce the risk of people being surprised by higher-than-expected 2020/21 tax bills."<sup>86</sup>

### Q13. Can directors of personal service companies claim?

No. Individuals working through their own PSC may be in position to furlough themselves and claim support through the CJRS, but, as the Treasury Select Committee has noted, benefits are likely to be "minimal" given that owner-manager directors usually pay themselves a minimum salary and take the majority of their income as dividends.<sup>87</sup>

There have been calls for the eligibility criteria for the CJRS and the SEISS to be extended to cover dividend income, but without success. Treasury Secretary, Jesse Norman, set out the Government's rationale for this in answer to a PQ on 1 May:

Income from dividends is a return on investment in the company, rather than wages, and is not eligible for support through the Self-Employment Income Support Scheme or Coronavirus Job Retention Scheme (CJRS). Under current reporting mechanisms it is not possible for HM Revenue and Customs to distinguish between dividends derived from an individual's own company and dividends from other sources, and between dividends in lieu of employment income and as returns from other corporate activity. Expanding the scope would require HMRC to collect and verify new information. This would take longer to deliver and put at risk the other schemes which the Government is committed to delivering as quickly as possible.

Those who pay themselves a salary through their own company may be eligible to claim for 80% of usual monthly wage costs, up to £2,500 a month, through the CJRS. Individuals who are not eligible for the CJRS may be able to access other support Government is providing, including the Coronavirus Business Interruption Loan Scheme and the deferral of tax payments. More information about the full range of business support measures is available at [www.businesssupport.gov.uk/coronavirus-business-support/](http://www.businesssupport.gov.uk/coronavirus-business-support/).<sup>88</sup>

In a second written answer on 9 June the Minister added the following points:

The Government has worked with stakeholders and carefully considered the case for providing a new system for those who pay themselves through dividends. However, targeting additional support for those who pay their wages via dividends is much

<sup>85</sup> CIOT, [Self-employment Income Support Scheme](#), updated 15 June 2020

<sup>86</sup> LITRG press notice, [Self-employed grant claimants warned of tax hit](#), 10 June 2020

<sup>87</sup> Treasury Committee, [Economic impact of coronavirus: Gaps in support](#), HC 454, 15 June 2020 para 38

<sup>88</sup> [PQ38471](#), 1 May 2020. See also, [PQ HL3951](#), 20 May 2020.

more complex than existing income support schemes. Unlike announced support schemes, which use information HMRC already holds, it would require owner-managers to make a claim and submit information that HMRC could not efficiently or consistently verify to ensure payments were made to eligible companies, for eligible activity.

The Government has heard the suggestion made that HMRC could adopt a 'pay now, claw back later' approach. However, such an approach would be highly resource-intensive to ensure appropriate compliance, and there is a high risk that incorrect or fraudulent payments could not be recovered, ultimately at the cost of UK taxpayers.<sup>89</sup>

The Low Incomes Tax Reform Group have raised concerns that business owners who were self-employed but have recently incorporated might mistakenly think they would meet the eligibility criteria for the Scheme.<sup>90</sup>

Following on from the Chancellor's March statement and publication of HMRC's guidance, the *Financial Times* was contacted by "tens of thousands" freelancers working in the UK's creative industries. These people said they would lose out under the Scheme, because they trade via a limited company set up.<sup>91</sup> Those freelancers say that the industry requires that they operate as a limited company.<sup>92</sup> The position of those in the creative industry has been raised quite often in the House, but Ministers have not indicated any willingness to reconsider the scope of the Scheme.<sup>93</sup>

## Q14. How does the Scheme apply to people subject to the Loan Charge?

Special arrangements apply to taxpayers liable to the Loan Charge to benefit from support under the Scheme, where appropriate. On 31 March Penny Ciniewicz, Director General of Customer Compliance at HMRC, confirmed in a letter to the APPG on loan charges that special arrangements would be put in place "to ensure that those liable to the loan charge can benefit from the self-employed income support scheme where appropriate, even if they have not filed their 2018-19 tax return."<sup>94</sup> HMRC have updated their guidance on the SEISS to this effect:

### **If you have loans covered by the loan charge and have not agreed a settlement with HMRC before 20 December 2019**

If you have received payment for work or services in the form of a loan or other form of credit covered by the [loan charge](#), you may be able to claim the grant if you were self-employed in the tax year 2017 to 2018 and have submitted your Self Assessment tax return for that year.

This also applies if your loans will be removed from the loan charge because of the [changes announced by the government following the loan charge independent review](#).

HMRC will work out your eligibility and average trading profits based on either:

- the average of the tax years 2016 to 2017 and 2017 to 2018
- the tax year 2017 to 2018 if you were not self-employed in the tax year 2016 to 2017

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<sup>89</sup> [PQ55002](#), 9 June 2020

<sup>90</sup> LITRG press notice, [COVID-19 grant warning for new limited companies](#), 14 May 2020

<sup>91</sup> "[Creative industries left out of self-employed support](#)", *Financial Times*, 30 March 2020

<sup>92</sup> See also, Creative Industries Association, [The Federation responds to the Chancellor's statement on self-employed workers and freelancers](#), 26 March 2020

<sup>93</sup> For example, [PQ46566](#), 22 May 2020

<sup>94</sup> HMRC, [Letter from Penny Ciniewicz to the Loan Charge APPG](#), 3 April 2020

You also did not have to file your 2018 to 2019 Self Assessment tax return by 23 April 2020. You should file by 30 September 2020.<sup>95</sup>

This position was confirmed in the [Treasury Direction](#) (paras 5.1 -5.6)

Further background on the Loan Charge is given in, [The 2019 Loan Charge](#), Commons Briefing paper CBP8811, 9 June 2020.

### Q15. I have been contacted about the Scheme. Is this a scam?

HMRC has warned people to be wary of scammers targeting the various support measures that have been announced.

If you receive texts, calls or emails claiming to be from HMRC, offering financial help or a tax refund and asking you to click on a link or to give personal information, it is a scam. You should email it to [phishing@hmrc.gov.uk](mailto:phishing@hmrc.gov.uk) and then delete it.<sup>96</sup>

HMRC has also published [examples of HMRC related phishing emails and bogus contact](#). General advice on what to do if you think something is a scam is available on [Gov.uk](#).

### Q16. Can I apply if my immigration status is listed as “no recourse to public funds”?

Yes. HMRC’s guidance states, “grants under the Self-Employment Income Support Scheme are not counted as ‘access to public funds’, and you can claim the grant on all categories of work visa.”<sup>97</sup> This treatment of SEISS grant payments aligns with that of payments from the Coronavirus Job Retention Scheme.<sup>98</sup>

[Coronavirus: Calls to ease No Recourse to Public Funds conditions](#), Commons Briefing paper CBP8888, 27 April 2020, summarises who is subject to the No Recourse to Public Funds (NRPF) visa condition and how it is applied, and identifies what state support and concessions might be available for migrants with NRPF during the coronavirus crisis.

If specific advice is needed, a suitably qualified professional should be consulted. The Immigration Law Practitioners’ Association publishes a [list of specialist practitioners](#). Gov.uk guidance [‘Find an immigration adviser’](#) and [‘Legal aid’](#) may also be helpful.

### Q17. What support is available to those not eligible for the SEISS?

Many Members have raised concerns about the coverage of the SEISS, and in answer to PQs Ministers have referred to the other sources of support that are available:

**Asked by Colum Eastwood** : To ask the Chancellor of the Exchequer, what support the Government provides to self employed people that are unable to access the self employed income support scheme as a result of not having the relevant income tax and national insurance contributions.

**Answered by: Jesse Norman** : The Government has designed measures that can be operationalised quickly and effectively under the Self-Employment Income Support Scheme (SEISS). It continues to work with stakeholders to make sure funding reaches those who need it most, keeping all policies under review. Some 95% of people who receive the majority of their income from self-employment could benefit from the

<sup>95</sup> HMRC, [How different circumstances affect the Self-Employment Income Support Scheme](#), 12 June 2020

<sup>96</sup> HMRC, [Check if you can claim a grant through the SEISS](#), 12 June 2020

<sup>97</sup> HMRC, [Check if you can claim a grant through the SEISS](#), 12 June 2020

<sup>98</sup> [PQ46098](#), 21 May 2020

SEISS and anyone requiring support before the beginning of June should have access to other measures appropriate to their individual circumstances.

For example, the self-employed can benefit from the Government's relaxation of the earnings rules (known as the Minimum Income Floor) in Universal Credit. Individuals may also have access to a range of grants and loans depending on their circumstances, including the Coronavirus Business Interruption Loan Scheme, the Bounce Back Loans Scheme, and the deferral of tax payments.<sup>99</sup>

Further information on these measures is available in two Commons Briefing papers:

- [Coronavirus: Support for household finances](#), CBP8894, 22 June 2020
- [Coronavirus: Support for business](#), CBP8847, 4 June 2020.

### Q18. Is the Scheme going to be extended?

Yes. The Government has [announced](#) that applications for a second, final grant will open in August. HMRC's guidance gives further details:

We will work out your eligibility the same way as the first grant. If you make a claim for the second grant you will have to confirm your business has been adversely affected on or after 14 July 2020. This grant will be a taxable grant worth 70% of your average monthly trading profits, paid out in a single instalment covering a further 3 months' worth of profits, and capped at £6,570 in total. You can claim for the second and final grant even if you did not make a claim for the first grant.<sup>100</sup>

### Q19. Where can I get further information?

[IPSE](#) (the Association of Independent Professionals and the Self Employed) provides information on the coronavirus business support measures, as well as further help and guidance for the self-employed. The [Federation of Small Businesses \(FSB\)](#) also provides information on the various schemes.

The Chartered Institute of Taxation has [detailed guidance on the SEISS](#), and the Association of Tax Technicians have a [series of FAQs](#), on their respective sites. The Low Incomes Tax Reform Group have [detailed tax and benefit guidance](#) relating to Covid-19, and this includes [Coronavirus: Self-Employment Income Support Scheme](#), 20 May 2020. The charity TaxAid is providing support and advice for the self-employed during the coronavirus outbreak; [contact details and further information are on their webpage](#).

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<sup>99</sup> [PQ42213](#), 6 May 2020

<sup>100</sup> HMRC, [Check if you can claim a grant through the SEISS](#), 12 June 2020

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