

BUDGET IMPACT: SELF-EMPLOYED



The Chancellor, Rishi Sunak, presented his 2021 Budget on 3 March 2021. Here we look at the effects this will have on the self employed. In this special issue Broadcast we will cover the following key changes:

- **Claiming SEISS 4th and 5th pay-outs**
- **Newly self-employed**
- **Carry-back extended**

Can you claim SEISS 4th and 5th pay-outs during 2021?

If you commenced self-employment after 5th April 2019:

If you started your self-employment after 5 April 2019, you were denied support under this scheme from the first three quarterly pay-outs to 31 January 2021.

The good news is that due to lobbying by tax professionals and self-employed support groups the SEISS is being opened to traders who commenced after 5 April 2019. However, there is an additional hurdle to jump before you can make a claim; your tax return for 2019-20 needs to have been filed by midnight 2 March 2021.

Additionally, your business must be adversely affected by the pandemic and your profits from self-employment must be at least 50% of your income and less than £50,000.

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If you commenced self-employment on or before 5th April 2019:

If you qualified for the first three grants, you should qualify for the further grants due this year unless your circumstances have changed, for example, if you are no longer adversely affected by COVID disruption. For those of you who may be claiming for the first time, you will need to claim using your online tax account. HMRC should advise you when the claims process is open for business.

If claiming the fourth grant – 1 February 2021 to 30 April 2021:

The fourth grant under the scheme covers February to April 2021. It is worth three months' average profits capped at £7,500 and can be claimed from late April.

If claiming the fifth and final grant – 1 May 2021 to 30 September 2021:

The fifth and final grant covers the period from May to September 2021. The amount of the grant will depend on the impact that Covid-19 disruption has had on your profits.

- If your turnover has fallen by 30% or more because of Covid-19, you will be able to claim a grant equal to 80% of your average profits for three months, capped at £7,500.
- However, if your turnover has dropped by less than 30%, you will be entitled to a reduced grant of 30% of three months' average profits, capped at £2,850.

The final grant can be claimed from late July. There is a potential misfit in this fifth grant. Although it covers a five-month period (May – September 2021) the actual pay-out for this period is based on three months. What about the other two months?

Remember, you can only claim the grant if you have been adversely affected by the pandemic, and grants received under the scheme are taxable and must be considered in working out your profits.

Help for the newly self-employed

Support under the SEISS was not available to traders who commenced self-employment in 2019/20 – to qualify a tax return had to be filed for 2018/19. However, as the deadline for filing the 2019/20 tax return has now passed, you may be eligible for the fourth and fifth grants if your 2019/20 tax return was filed by midnight on 2 March 2021. To qualify, your business must be adversely affected by the pandemic and your profits from self-employment must be at least 50% of your income and less than £50,000.

Carry-back period for losses extended

The period for which losses may be carried back is temporarily extended from one year to three years. For unincorporated businesses, the extended carry-back will apply to losses made in 2020/21 and 2021/22. Losses must be set against a later period before an earlier period.

If you have suffered losses due to Covid-19, carrying back losses for up to three years may generate a most welcome tax repayment.

How we can help

If you are interested in further clarification on how the recent announcements could affect you, then do not hesitate to contact us. Call us on **01753 888211** or email **info@nhllp.com**