

## Government latest assistance package, for the Self Employed.



### To all our clients and friends,

We have finally received some much-needed additional support measures which cover the Self Employed, although there are elements of detail that will cause difficulties and confusion.

The measures for self-employed people are, understandably perhaps, the most complicated issue for the government to address, as large business is relatively easy support and employees have a known monthly salary.

It was always expected that the measures announced were therefore never going to be perfect and we have to admit that, sadly, they are far from perfect. Many people will not get the assistance they need and are therefore still falling between the gaps.

### Let's deal with some of the difficult issues first:

- These measures do **NOT** cover people running their business through limited companies. Typically, directors of small companies pay themselves a salary of about £700 per month (they then draw dividends on top). They may qualify for the 80% salary assistance programme - £560 per month, which is not going to be sufficient by any means for most people.
- The measures will **NOT** cover self-employed people with an annual net profit over £50,000 per annum (or average of over £50,000 for the last 3 years) - they will not get anything.
- The measures will **NOT** cover self-employed people who started businesses after 5th April 2019 - they will not have included any self-employed profits on their 2018/19 tax return and are therefore excluded.
- We understand that the measures will **NOT** cover self-employed people who have not filed their 2018/19 tax return by 31st May 2020 - if you have not filed your return it is essential you do so - they need to be able to see self-employed income in your 2018/19 tax return or you will not be eligible.
- We understand that you have to continue to be self-employed - so if you permanently close your business due to this crisis you may **NOT** be permitted to receive a grant.

- The measure will **NOT** cover those people whose self-employed income is less than half of their total taxable income - so people who, for example, have significant employment income or rental income may not get any assistance from this announcement. The reality is that many people who started their business during the 2018/19 tax year will also be excluded as they may well have had employment income that is over half their income for that tax year.

*We actively continue to lobby for those people who are not yet covered and to close more of the big gaps that currently exists.*

**Now to give some detail on the measures for those self-employed people who WILL get help from this announcement:**

- Self-employed people (including those in partnership) who have an annual profit (that is profit, NOT turnover) of less than £50,000 (per partner where relevant) will be eligible for a taxable grant of up to £2,500 per month or 80% of their monthly profits (whichever is less), based on an average of the previous 3 years profits.
- The grant will not be paid before June 2020 but can be backdated to March 2020. The government has said it will consider extending the 3 months if it is warranted.
- HMRC will be writing to people to invite applications for the assistance - so at the moment you do not need to do anything. Once you are invited to apply you will need to complete a form and nominate a bank account to have the money paid into.
- The June 2020 timetable is due to there being no current system in place to administer the scheme - they still need to design it and build it so people can apply for funds. I do realise the impact this will have on many businesspeople; it will be difficult being told help is on the way but not until June, when you have bills to pay now. But realistically it is difficult to build a new system in a shorter timeframe, so bear with them. Once approved the grant is going to be paid in a single lump sum to cover the whole three-month period.
- It should be noted that you are allowed to continue running your business - there is no requirement to cease operations.

As with previous measures, this is a big announcement, but as with previous announcements the level of detail is not fully there yet - it will become clearer in the days ahead, so please bear with the current situation and keep an eye out in the media for further detail.

This will be very welcome relief for a huge number of self-employed people, despite the timescale for payments. Unfortunately, it will also be a huge disappointment for many hard-working people.

It is also unclear how self-employed people with less than 3 years trading will be dealt with - will they base it on an average of one or two years if you have only traded for one or two years? The obvious conclusion would be yes, but we need to see the detail before confirming.

At the present time, the assistance available to those who cannot get help on this scheme will be left to the benefits system (at about £94 per week) - which will not make a significant difference to those hard working people who took the plunge to start a business recently. The difficulty is in assessing the entitlement to assistance in the absence of filed tax returns - but the government is stating that it will try to be flexible - we will have to wait and see.

The grant will not be payable before June 2020 - three months away and already a month or two from when many will have had a proper income, which is a long time if you have suppliers

chasing payments now. I know many self-employed people will be wondering how to access funds sooner - you could talk to your bank to see if they can provide an overdraft in the meantime or talk to your suppliers and see if they can wait a little while - the main thing is to keep people informed so they know you are not burying your head in the sand.

The other issue that this measure fails to address is the fixed overheads of running a small business even when there is no business to be done - whether it's rent and rates on premises or lease payments on vans and equipment, the bills keep coming in and mount up. The grant is designed to cover an income based on profits, which assumes all of these overheads are already covered - we know for many the fixed costs will not be covered and this will create additional worry for many - talk to the landlord or the lease company and see what they can do to waive or defer payment.

The grant is only payable to people who earned less than £50,000 in 2018/19 or less than an average of £50,000 in the three years to 2018/19. This is therefore likely to exclude many self-employed people. This does seem harsh - if your profit was £49,000 you might get £2,500 per month but if your profit was £51,000 you get nothing. Again, we find that some assistance measures will sadly have a very brutal effect on the people on the margins of where they are targeted.

But overall, based on the above, the measures will genuinely help many of those most in need, although not all, and for those it does help, not totally. But it is still a very decent financial package designed to assist as many of the smaller self-employed people as possible, with the hope that the rest can survive. The government is making some assumptions that the larger self-employed business owner will either have some reserves to fall back on or be able to access bank funding through the Business Support Loan scheme - many will be able to rely on these, but many will not, and that will be the reality unfortunately.

### **On another note**

I am sure you will join me in thanking all of our NHS staff who are on the front line of the health crisis. We have many clients who work within the NHS, and we know the pressures they faced before this crisis, so our thoughts are with you all - the weeks ahead are likely to be daunting and considerably more difficult than anything faced so far.

Many clients and friends will have some time on their hands (in between trying to run their business from home, operating a home school, looking after relatives and supporting family and friends as best they can, all whilst self-isolating or socially distancing themselves, or even just trying to get a slot on the online shopping portal), and we do recommend that you use your free time, if you have any for, for some good. None of us will benefit from sitting around worrying. If you do happen to have some spare time, then please:

- Take a break and get some down time, even to read a book, get some exercise or do some gardening - anything to take your mind off the issue 24/7.
- Look after someone who is worse off than you (there is always someone worse off than you).
- Gain some new skills to help your business after this is over - our client **Incubeta**, an online marketing agency, has sent me an offer brochure for free webinars on online marketing for small business. It's not a sales pitch; yes they do have some paid services but have a look at some of the free webinars - they may help build your business when this is all over - [take a look and download details here.](#)

- Get on top of your accounts and tax returns - better to get them done early so you can plan your cashflows and tax payments.