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SELF-EMPLOYED INCOME SUPPORT SCHEME (SEISS)

The portal for applications for the third grant under the SEISS opens on 30 November. HMRC yesterday published eligibility criteria which shows a significant tightening of the rules.

The third taxable grant is designed to cover the 3 month period from 1 November 2020 to 29 January 2021 and is worth 80% of the applicant's average monthly trading profits. The grant will be paid out in a single instalment and is capped at £7,500 in total.

To make a claim for the third grant the business must:

1. Be a self-employed individual or a member of a partnership. An individual cannot claim the grant if they trade through a limited company.
2. Have traded in both the tax years 2018/19 and 2019/20.
3. Have submitted a 2018/19 self-assessment tax return on or before 23 April 2020.
4. Have had a new or continuing impact from coronavirus between 1 November 2020 and 29 January 2021.
5. Either be currently trading but are impacted by reduced activity, capacity or demand; or have been previously trading but are temporarily unable to do so due to coronavirus.
6. Declare that they intend to continue to trade, and that **they reasonably believe that the impact on their business will cause a significant**

reduction in their trading profits.

7. Only claim if the **reduction in profits is caused by reduced business activity, capacity or demand, or inability to trade due to coronavirus during the period 1 November to 29 January 2021.**

HMRC say they expect claimants to make an honest assessment about whether they reasonably believe their trading profits will be significantly reduced compared to what they would otherwise expect to achieve during this period.

HMRC has specifically said that a reduction in profits due to increased costs (such as having to buy masks) does not count for this purpose.

No claim can be made where the reduced activity, capacity or demand is caused solely because the person is required to self-isolate, or care for a person required to self-isolate, as a result of travelling to the UK.

The ICAEW have warned that the significant reduction in trading profits test is to be applied to the accounting period as a whole. For many taxpayers, for example those that use a 31 March or 5 April accounting date, the significant reduction of trading profits will be expected to appear in the results they report on their 2020/21 tax return.

HMRC's guidance includes a number of examples of how the rules apply.

<https://www.gov.uk/guidance/how-your-trading-conditions-affect-your-eligibility-for-the-self-employment-income-support-scheme>

HMRC say businesses must keep evidence to show the impact and reduction in their business activity across the qualifying period.

Claims must be made by 29 January 2021 and HMRC say that, as previously, they will contact all self-employed people in the UK that may be eligible to let them know about the third grant.

As with previous SEISS grants claims must be made by the business themselves and agents such as ourselves will not be able to claim on their behalf.

As previously, this third grant will also be subject to Income Tax and National Insurance and must also be reported on self-assessment tax returns.

There will also be a fourth SEISS grant covering the three-month period from February 2021 to April 2021. We will tell you more about this once the guidance is issued, including how much it will be and the rules for claiming.

NEW VAT DEFERRAL PAYMENT SCHEME

Businesses who deferred VAT due from 20 March to 30 June 2020 will now have the option to pay in smaller payments over a longer period. Instead of paying the full amount by the end of March 2021 businesses can make up to 11 smaller monthly payments over 2021/22

These payments will be interest free but all instalments must be paid by the end of March 2022.

Businesses will need to opt-in to the scheme. The VAT Deferral New Payment Scheme will require a Direct Debit to be set up as part of the digital opt-in process and this must be done by the authorised bank account holder.

HMRC have stressed that business who can pay their deferred VAT should still do so by 31 March 2021.

The scheme opens in early 2021 and we will let you know the details as soon as we can.

<https://www.gov.uk/guidance/deferral-of-vat-payments-due-to-coronavirus-covid-19>

The Team at Allens



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