



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

26 March 2020

Dear Colleague,

I am writing to set out further details of the announcement I made today in support of self-employed individuals. This forms the next stage in helping individuals affected by the COVID-19 emergency. This announcement follows on from my announcement on Friday 20 March on the Coronavirus Job Retention Scheme (CJRS).

The vital and necessary steps that government, business and individuals have taken to confront this public health emergency are having a profound effect on the UK economy. At Budget I set out the first stage of government's economic response, with a £30 billion package of support. On 17 March I went further, extending the support available to individuals and businesses, including a package of government-backed and guaranteed loans, which make available an initial £330 billion of guarantees – equivalent to 15% of GDP. On 20 March I went further still, announcing a package to help individuals affected by the crisis. This covered the Coronavirus Job Retention Scheme, as well as changes to our welfare system including Universal Credit and Statutory Sick Pay, to continue to help those affected by this public health emergency. I also announced a deferral of VAT payments for the next quarter so businesses will not pay any VAT from now through to the end of June – a deferral worth over £30 billion or 1.5% of GDP.

The challenges in designing support for self-employed individuals

Many of the announcements above could benefit those in self-employment, but I know that many self-employed people remain deeply anxious about the support available for them if their income drops temporarily due to COVID-19. As I set out in the House of Commons earlier this week, we have been working at pace to actively consider steps to provide further support for the self-employed beyond the measures already announced. It was right to focus first on employees, who account for the vast majority of the workforce and risked being made redundant immediately without our swift action through the introduction of the Coronavirus Job Retention Scheme. Since then, alongside my officials in HM Treasury and HM Revenue & Customs (HMRC), I have been working to address the understandable concerns of the self-employed.

I outlined in the House that there were very significant policy and operational challenges but I would work to overcome them if at all possible. It is important to explain some of them so you understand the decisions I have taken and why it has taken a few extra days.

The design of any support must take into account that the self-employed are a very diverse population, including everyone from hairdressers to partners in “Magic Circle” law firms. They have a wide mix of turnover and profits, with monthly and annual variations even in normal times. Some may see their profits unaffected by the current situation. Some have substantial alternative forms of income. The self-employed can offset losses against profits in other years and other forms of income. And the self-employed also pay a lower rate of National Insurance than employees despite receiving almost the same benefits as employees, including the New State Pension. And in devising this scheme – in response to many calls for support – it is becoming much harder to justify the inconsistent contributions between people of different employment statuses.

There are also significant operational challenges that make support more complex to deliver than the Coronavirus Job Retention Scheme. These practical problems are often overlooked or under-estimated by those calling for immediate action. For example, the latest information about income, profits and losses held by HMRC relates to the 2018-19 tax year and not all returns for even this year were submitted by the 31 January 2020 deadline.

I have given careful thought to these issues to ensure any further support is both targeted and deliverable as quickly as possible. My officials and I have also discussed these issues with the Federation of Small Businesses (FSB), the Association for Independent Professionals and the Self-Employed (IPSE), the Trades Union Congress (TUC), and a range of other organisations representing or working with different types of self-employed people.

The new Self-Employment Income Support Scheme

I have announced today that the self-employed will now be eligible for a new Self-Employment Income Support Scheme (SEISS). This will support the self-employed whose income has fallen temporarily due to COVID-19.

The Scheme will provide further additional support to the self-employed across the whole of the UK and is expected to help millions of individuals. This Scheme has been developed at rapid pace to get support to the self-employed as soon as possible and overcome the very challenging operational difficulties in establishing such unprecedented further support for this group.

The Scheme will provide taxable grants to self-employed individuals, including members of trading partnerships, worth 80% of their trading or partnership profits up to a maximum cap of £2,500 per month. The Scheme will cover three months of an individual’s typical profits so an individual could receive up to £7,500. HMRC will use the average annual profits from eligible individuals’ tax returns for 2016-17, 2017-18 and 2018-19 to determine the size of the grant for each person.

I want to ensure that this Scheme provides targeted support for those who most need it to ensure it is fair. Reflecting this, individuals will be eligible to claim a grant if they:

- have lost trading profits/partnership trading profits due to COVID-19;
- have filed a tax return for 2018-19 as self-employed or a member of a trading partnership, although we will make special provision for those who have not filed their return for 2018-19;
- have trading profits of less than £50,000 and more than half of your total income come from self-employment. The individual will qualify on this criterion if at least one of the two following conditions applies:
 - individual's trading profits in 2018-19 were less than £50,000 and more than half their total income in 2018-19 came from self-employment
 - the average of individual's trading profits across the three years 2016-17, 2017-18, and 2018-19 were less than £50,000, and more than half their total income in those three years came from self-employment

These criteria reduce the opportunity for abuse of the Scheme and ensure those who rely primarily on their trading profits from self-employment receive support. These individuals must be the priority for any taxpayer-funded help to deal with sharply reduced income over the next few months. **95% of people who receive the majority of their income from self-employment are eligible for this Scheme.**

For clarity, those who pay themselves a salary and dividends through their own company are not covered by this Scheme. Their status is different to the individuals highlighted above and the CJRS is available to them if they are operating PAYE schemes. It is also not possible to distinguish between dividends derived from their own company and dividends from other sources.

Delivery of the Scheme

We are working with urgency to make this Scheme operational as soon as possible so payments can be paid as quickly as possible. This is an extremely complex operational task but we believe the first payments can be made by the beginning of June. The challenge to achieve this timeframe is enormous and should not be underestimated.

Individuals do not need to contact HMRC now and doing so will only delay the urgent work being undertaken to introduce the Scheme. Once the Scheme is operational, HMRC will use existing information to check potential eligibility and invite applications. Eligible individuals will use a simple online form to verify their eligibility. HMRC will then pay a single lump sum grant covering all 3 months straight into the individual's bank account.

The grants are subject to Income Tax and National Insurance so will then be reportable on future Income Tax Self Assessment tax returns.

HMRC has published further guidance on GOV.UK at www.gov.uk/guidance/claim-a-grant-through-the-coronavirus-covid-19-self-employment-income-support-scheme; please direct your constituents to this for further information.

Other recently announced support for the self-employed

This is not the only support for the self-employed I have announced. This substantial and unprecedented support for the self-employed supplements existing additional support announced in recent days and weeks. Alongside support for businesses of all sizes through various other measures, the self-employed will also benefit in particular from the government's relaxation of the earnings rules (known as the Minimum Income Floor) in Universal Credit, and the deferral of Income Tax Self Assessment payments due in July 2020 to January 2021. I urge you to ensure that anyone contacting you about support for the self-employed is made aware of this full package of support.

The new SEISS is bold, targeted and deliverable. Today's announcement will provide reassurance to millions of the self-employed that the government will support them if their incomes are temporarily reduced by the current situation.

Further information

The factsheet I recently shared will continue to be updated with additional information for individuals and businesses impacted by COVID-19, to ensure the public can access information about the support I have announced. This is available at www.gov.uk/government/publications/support-for-those-affected-by-covid-19.

BEIS have also developed guidance specifically for employers and businesses at www.businesssupport.gov.uk/coronavirus-business-support/.

If constituents require further information, the government's COVID-19 Action Plan and further guidance can be found at www.gov.uk/coronavirus.

The multi-billion-pound commitments I made at the Budget, on 17 March, on 20 March, and again today show that I will do whatever it takes to get our country through the impacts of COVID-19.



RISHI SUNAK