

The Guardian

Coronavirus: UK offers self-employed 80% of earnings

Those earning £50,000 or less must wait until June to receive up to £2,500 a month

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Self-employed people must wait until June to get 80% of their earnings covered by the state, up to a maximum of £2,500 a month for three months, in response to the coronavirus crisis.

The chancellor, Rishi Sunak, said the plan would be backdated to March and cover those earning up to £50,000, or 95% of the self-employed. It was “one of the most generous schemes anywhere in the world” and ended weeks of uncertainty for those who work for themselves, he said. Payments are set to be made to up to 3.8 million people.

However, many of those struggling with the impact of coronavirus on their business will have to wait months to get any money and may potentially have to sign up for universal credit in the meantime, which involves a five-week wait for the first payment.

The taxable grant will be based on the average monthly profits of a self-employed person over three years, so people will need to have filed a tax return to be eligible and prove they have lost profit because of coronavirus.

Speaking at the government’s daily press conference, Sunak said: “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.”

The grant is equivalent to the help offered to salaried workers, after Boris Johnson had said there would be parity.

Sunak said it would be available to those who make the majority of their income from self-employment so only the “genuinely self-employed” would benefit.

“And to minimise fraud only those who are already in self-employment who have a tax return for 2019 will be able to apply.”

He said 95% of people who were majority self-employed would benefit from the scheme.

“HMRC are working on this urgently and expect people to be able to access this scheme no later than from the beginning of June.”

The scheme will cost the government around £3bn a month.

The level of profit loss would not be calculated, so whether someone lost 5% or 100% of profit because of the coronavirus, they were still entitled to an 80% grant.

The chancellor, who urged people to act responsibly, strongly hinted that after the coronavirus support measures were no longer needed, the government would return to the thorny political issue of levelling up national insurance contributions (NICs) between the self-employed and employees.

He said it was fair to consider how to “right the ship” afterwards, which was widely seen as a reference to the fact that self-employed people pay a 9% national insurance rate, compared with 12% percent paid by most employees earning up to £50,000 a year. The issue was raised by the former chancellor Philip Hammond, who eventually dropped the proposal to even out contributions.

Sunak said: “I’m making the observation that I think it is harder to sustain the argument that if you’re employed [you’re] paying a higher rate of tax on the basis that you are treated differently, and now we’re treating everybody the same, and at a very, very significant cost that we, as a country and a society as we get through this ... [look at] how we then right the ship afterwards.”

Self-employed people making more than £50,000 a year will not benefit from the new scheme but the Treasury pointed to a range of other supportive measures people could make use of, including interest- and fee-free loans, VAT deferral, business rates suspension, income tax measures and council tax breaks.

People who pay themselves through dividends are not included in the scheme because the tax system does not distinguish between those who pay themselves in dividends from self-employment and those who receive dividends through shares.

However self-employed people are incorporated, and those using dividends as well as salary to pay themselves are operating through the PAYE system and can therefore register for the furlough system through the coronavirus job retention scheme.

The government has committed to cover 80% of the wages of “furloughed workers”, up to £2,500 a month.

The Treasury has asked that no one contact HMRC to discuss the new scheme immediately, rather the government would contact people directly using their details from the self-assessment tax system from 2018-19.

Late tax filers who complete their forms in the next four weeks will also be contacted by HMRC directly. The fines that were due in May for those who did not file in January will be wiped.

Sunak said the remaining 5% of self-employed people not covered by the scheme had an average income of £200,000.

The timing of June for the first payments is in part to allow people four weeks to file their late tax returns.

Sunak suggested that those who could not wait until June could apply for an advance payment of universal credit to avoid the normal five-week wait for the first payment of that benefit. He said it could be handed out within days.

Government support for workers and businesses

Income subsidies

Direct cash grants for self-employed people, worth 80% of average profits, up to £2,500 a month. There are similar wage subsidies for employees.

Loan guarantees for business

Backing of £330bn of loans to support businesses through a Bank of England scheme for big firms. There are loans of up to £5m with no interest for six months for smaller companies.

Business rates

Taxes levied on commercial premises to be abolished this year for all retailers, leisure outlets and hospitality sector firms.

Cash grants

Britain's smallest 700,000 businesses eligible for cash grants of £10,000. Small retailers, leisure and hospitality firms can get bigger grants of £25,000.

Benefits

Value of universal credit and tax credits to be increased by £1,000 a year, and eligibility for these benefits widened.

Sick pay

Statutory sick pay to be made available from day one, rather than day four, of absence from work, although ministers have been criticised for not increasing the level of sick pay above £94.25 a week. Small firms can claim for state refunds on sick pay bills.

Other

Local authorities to get a £500m hardship fund to provide vulnerable people with council tax payment relief.

Mortgage and rental holidays available for up to three months.

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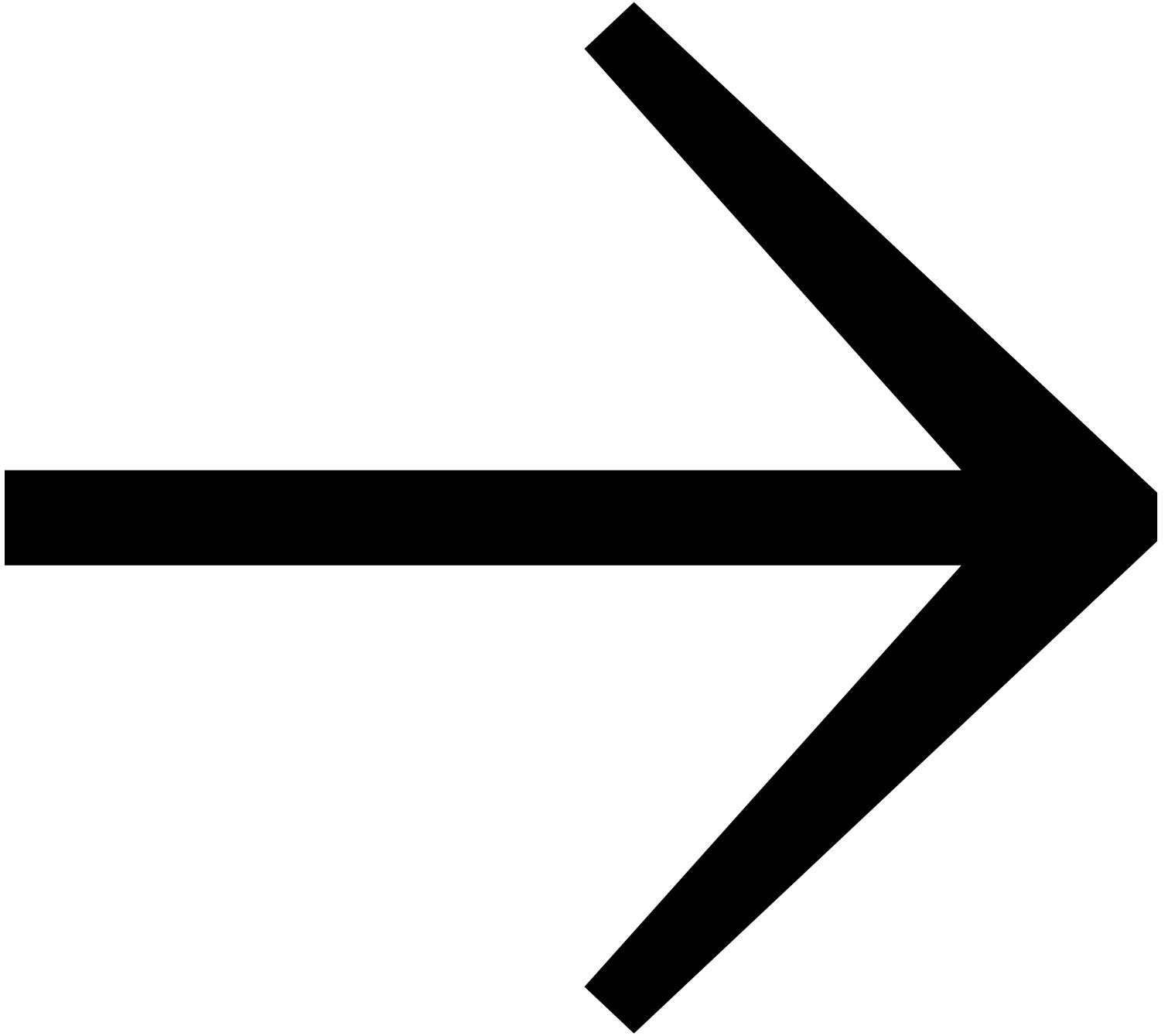
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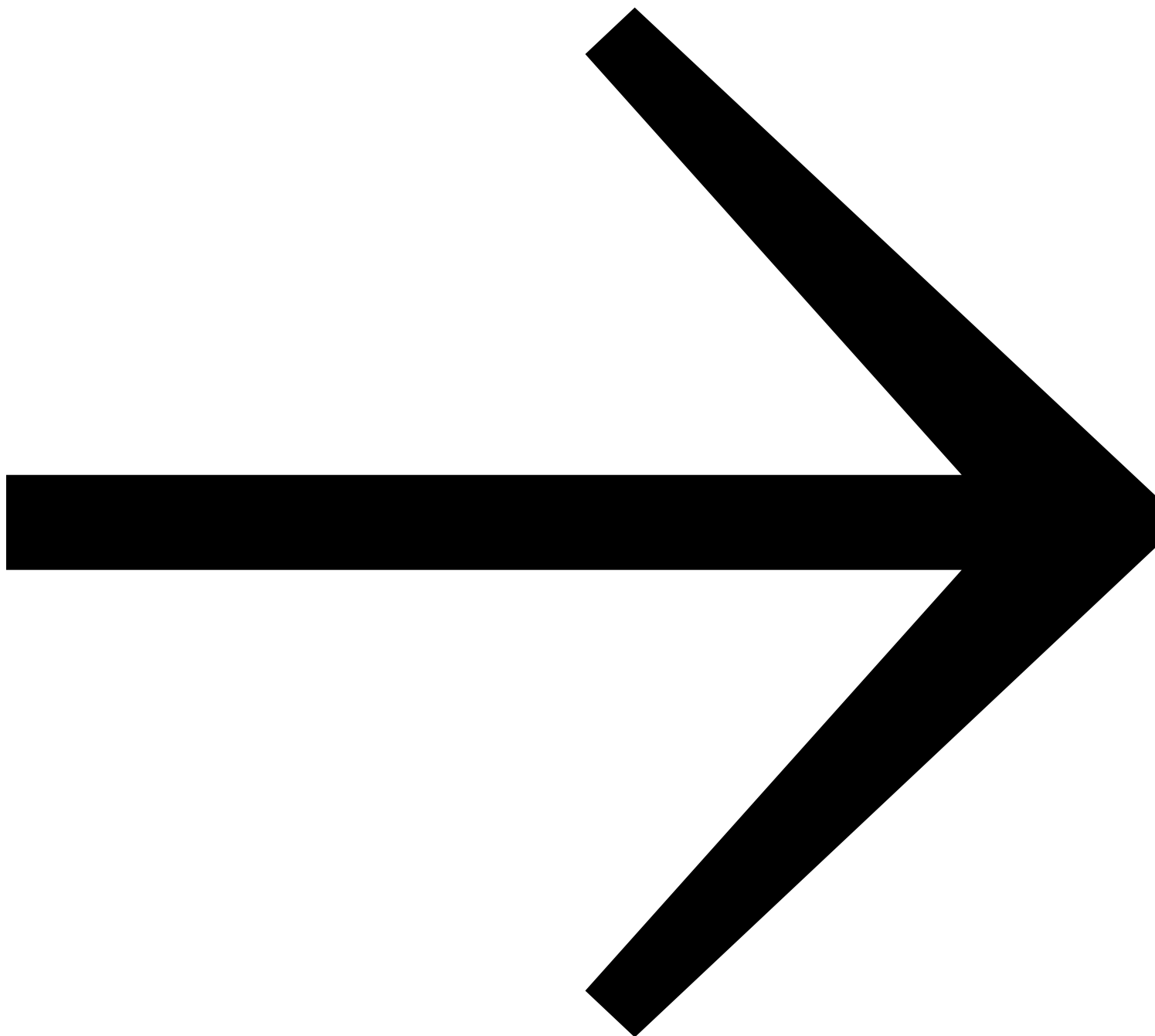
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