

# Business Owners' Support Scheme

## 1.1 Issue

The Coronavirus Job Retention Scheme (CJRS) has helped employees. This represents the majority of workers.

The Self Employed Support scheme (SEISS) has helped the self-employed. This is a sizeable minority of workers.

The SEISS was set up to get support to as many people as possible in a short space of time and was therefore necessarily simplistic.

A large number of workers are not employees, but fail to qualify for SEISS, such as:

- Company directors
- The newly self-employed
- Newly incorporated businesses
- Freelancers with a mix of employment and self-employment
- Gig economy workers with a number of part-time employments
- Non-trading businesses such as holiday lets.

Many of these have received little or no support. This not only prejudices the future of their businesses, but it also feels extremely unfair to them.

## 1.2 Essence

The term 'self-employed' has a narrow technical definition within the tax and accounting professions, but it also has a wider use. Most people use it to refer to a worker who is proprietor of their own business, however it is established. For example, individuals have been known to say, '*I'm obviously self-employed: I have my own company that I work through.*'

In addition, the SEISS only applies to trading businesses: this again is a technical tax term which excludes many full-time occupations.

Put more simply: workers think of themselves as either 'employed' or 'self-employed'. If you work for a living, and you're not an employee, then you must be self-employed. If you consider yourself self-employed, you expect help through SEISS and are surprised and disappointed if you receive none.

## 1.3 Inspiration

SEISS is based on using information already available to HMRC about self-employment, using the narrow definitions above.

SEISS has done an excellent job for those it includes, but could be supplemented with a further scheme, modelled on SEISS but broader in scope and based on the wider definitions used on the Clapham omnibus.

## **1.4 Solution**

The Business Owners' Support Scheme ('BOSS') potentially applies to all business owners, although in practice most will be excluded by the double-counting rule.

That is, BOSS fills in the gaps between SEISS and CJRS. It is *not* a further relief on top of them.

### **1.4.1 Eligible individuals**

All UK business owners (shareholders, sole traders, partners, and so forth) are eligible.

Individuals whose income comes only from employment, pensions, and/or passive investments are excluded.

### **1.4.2 Eligible income**

All taxable income deriving from the individual's business activity in the tax year 2019/20 is included, such as:

- Self-employment income
- Property income (only where it is treated as a business)
- Dividends and salaries from personal companies
- Employment income

### **1.4.3 Excluded income**

Passive income is not included:

- Interest
- Dividends from investments
- Non-business rent (such as a simple buy-to-let)
- Pensions.

A potential refinement would be to restrict eligible employment income to employments related to the primary business, such as consultancy contracts where the engager puts the consultant on payroll in the interests of administrative simplicity and tax compliance.

### **1.4.4 Amount due**

The amount of grant is calculated on a similar basis to SEISS up to 80% of eligible income, so long as it exceeds excluded income.

### **1.4.5 Double-counting**

All amounts received by the individual under SEISS or CJRS are deducted from the amount due.

This immediately eliminates anyone who has only a single employment or simple self-employment, as they will have received full relief under CJRS or SEISS.

## **1.5 Illustration**

The impact on a number of common scenarios would be as follows:

### 1.5.1 Freelancer

A freelancer earns £10,000 of self-employed income and has £12,000 of income from many short-term contracts under PAYE.

- At present they get neither an SEISS grant nor furlough pay
- Under BOSS, they would get relief based on their £22,000 income. No deductions reduce this.

### 1.5.2 Company director

An individual owns and manages a construction company which has profits of £20,000pa, after tax and a salary of £10,000. All profits are paid out as dividends. Their staff are furloughed but they have not been able to furlough themselves, as they are still dealing with sales.

- So far, they have not received either a SEISS grant or furlough pay
- Under BOSS, they would receive a grant based on £30,000 of eligible income.

Had they been able to furlough themselves, the furlough pay received would reduce the BOSS grant.

### 1.5.3 Holiday letting

An individual owns a number of holiday cottages, normally generating an income of £20,000 and requiring 30 hours a week in cleaning, maintenance, billing, sales, and so forth. Bookings for the 2020 season are negligible but the work is still needed. They also have a part-time job in a shop earning £10,000pa, from which they have been furloughed.

- So far, they have received a small amount of furlough pay, but no SEISS grant
- Under BOSS, the letting is treated as a business and so the income qualifies for a grant.

The grant is based on total income including the employment, although the furlough pay reduces the amount receivable and so the effect is to pay a grant based only on the business income.

### 1.5.4 Management consultant

An individual has two part-time employments advising large businesses, each of which pays £20,000pa for one day a week. They normally spend the other three days on similar self-employed work, earning an additional £45,000 per year. They are furloughed from both employments but continue to work self-employed.

- At present they have been able to get up to £2,667 per month plus full SEISS grants, giving an income exceeding £5,000 per month. Their self-employment income is only marginally affected
- Under BOSS, their eligible income would be £85,000pa and they would qualify for no relief. They may even be required to repay the SEISS grant part of the furlough pay, as that exceeds the £2,500 cap on coronavirus reliefs.

## 1.6 Implementation

The relief would only apply to individuals who already have moderately complicated tax affairs.

The figures can all be derived immediately from existing tax records, and the criteria are direct equivalents to existing tax concepts such as:

- An activity being a 'business' if it requires more than 20 hours a week
- A 'personal company' being one where the individual is both a shareholder and an employee.

A claim would be made to HMRC by the taxpayer, ideally via an online portal. As the BOSS calculations are much simpler than those for a tax return, the claimant should have no significant problems preparing a claim.

HMRC has indicated in an SEISS context that it is unable to identify some income such as dividends from personal companies. While this is true if one looks only at the boxes on a tax return, taxpayers have a statutory duty to maintain records to support those figures and so can reasonably be obliged to supply them to HMRC if required to support a claim. It should be noted that it is not necessary to look at all dividends received: only those from a personal company would require evidence.

For HMRC to check a claim would be relatively simple: a claim need only include a breakdown of total income which can be reconciled to the 2019/20 tax return, plus details of any SEISS and/or CJRS support received. This should require the checking of only a few screens followed by approval of the claim through a modified version of the SEISS system.

It should be noted that although SEISS came too close to the end of the 2019/20 tax year for tax return information to be available to HMRC, there is now no reason why an individual claiming under BOSS should not have submitted their return beforehand.

## 1.7 Variations

A number of variations on this theme would be possible. For example:

- The payments could be repayable loans rather than outright grants. This would alleviate cashflow issues, although it would add to the wall of debt. It would however reduce the cost and make BOSS distinct from SEISS.
- Where an individual has received both furlough pay and SEISS grants the amount due under BOSS could be negative, generating a repayment of the excess and capping total relief at £2,500 per month.
- Income other than self-employed trading income could be treated as qualifying only to determine eligibility for the scheme, but not in the calculation of the grant.

This would for example mean that the freelancer in 1.5.1 above would be entitled to a grant based on £10,000 of income: the PAYE income would be treated as qualifying for purposes of the 50% test, but the grant itself would be based on the self-employed income. This would be more a refinement of the SEISS scheme than BOSS proper.

- The claim could be included as part of the 2019/20 tax return, removing the need for a separate claim system altogether.

## 1.8 Conclusion

BOSS represents a simple way of extending relief to those workers who are currently unsupported.

It complements and completes the work done by SEISS, ensuring that very few businesses will be left behind.

By providing business owners who have not benefited from other support with a cash grant it alleviates cashflow concerns and provides confidence that their business can continue to provide some income in the short term.

The administrative burden would fall largely on business owners, although HMRC would need to accept and check claims. The processes would appear to be similar to those for SEISS, and so should require only an extension to those systems.

There would be a net Exchequer cost in providing additional grants. We would expect that this would fall within the original costings of the SEISS scheme, but some research would be required to establish this.

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