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The Self-Employed Income Support Scheme

*The information provided here is accurate as of the 1st of April 2020.

What is the Self-Employed Income Support Scheme?

The UK government has launched a scheme to support self-employed workers during the Coronavirus pandemic.

Self-employed workers will receive cash grants of up to 80% of their profits for a maximum of £2,500 a month, for at least three months.

The cash being provided is a grant, NOT a loan. This means it is not repayable. It is, however, taxable income. If the scheme pushes you into the higher rate tax band, the government will take back 40% and National Insurance on top of this.

What Does the Grant Consist Of?

Self-employed workers will receive direct cash grants of up to 80% of their profits for a maximum of £2,500 a month. Here, "profit" is a three year mean average of your income up to the tax year that ended April 2019. This includes the 2016/2017 tax year, the 2017/2018 tax year and the 2018/2019 tax year.

If you have only been self-employed for 2 years, the grant will be based on an average of two years, and equally for one year.

The scheme works on a yearly basis, not pro-rata. Consequently, if you set up your business in the last 6 months and earned £10,000, HMRC will use this figure as your total earnings for the year on which to base the grant.



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Who is Eligible?

Self Employed Workers:

- Where 50% or more of their income comes from self-employment.
- With a trading profit of less than £50,000 in 2018/2019, or of an average trading profit of less than £50,000 over 2016/2017, 2017/2018, 2018/2019.
- Who have been self-employed prior to the 6th of April 2019. Those who took up self-employment after this date are not eligible for the scheme.
- Even if they are still working. The grant will be paid directly into your bank account at the start of June.

HMRC will use existing information to check potential eligibility and invite applications once the scheme is operational. You cannot currently apply to HMRC for this grant.

Who is Not Eligible For The Scheme?

Self Employed Workers:

- With a trading profit of more than £50,000 in 2018/2019, or of an average trading profit of more than £50,000 from 2016/2017, 2017/2018, 2018/2019.
- Who have only been self-employed since the 6th of April 2019.
- Who earn their income via PAYE.



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What To Do if You are Not Eligible?

Self-Employed Workers Earning via PAYE:

Although you are not entitled to the Self-Employed Income Support Scheme, you may be eligible for the Coronavirus Job Retention Scheme. This enables employers to claim up to 80% of furloughed employees' monthly wages for up to £2,500 per month.

In this scheme, the employee's income is defined by what they earned in February 2020. If the individual worked for several different companies in the month of February, they are encouraged to get in touch with all employers.

All employers can apply for the furlough payment system. Where self-employed individuals work via Ltd companies with dividends and PAYE, the dividends are not covered in this scheme.

All Other Non-Eligible Self-Employed Workers:

Business Interruption Loans:

Business interruption loans include loans, overdrafts, invoice finance and asset finance. The government are supporting lenders in order to improve their service and increase public confidence in these loans.

There are currently 40 accredited lenders able to offer this scheme, including all major banks.



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Universal Credit:

Universal Credit is a payment to help with living costs. It is paid monthly, or twice a month to some people in Scotland.

You are able to apply for Universal Credit if:

- You are out of work
- You are over the age of 18
- You or your partner is under the State Pension Age.
- You and your partner have £16,000 or less in savings.

In light of the Coronavirus pandemic, the government is increasing the standard allowance by £20 per week on top of a planned annual uprating. You will need to apply for Universal Credit online.

Between Now and June

Self employed workers do not have to pay their July tax self-assessment payment. Therefore, it is advisable to use the cash put aside for tax in the short term. While you wait for the June instalment, you can apply for Universal Credit in the meantime.

Continue to work where possible! The Self Employed Income Support Scheme is available to those self-employed individuals currently in work.

Resources:

- <https://www.gov.uk/>
- <https://www.citizensadvice.org.uk/work/coronavirus-if-youre-self-employed/>
- <https://www.fsb.org.uk/campaign/covid19.html>