

SEISS 5 and new turnover test

The SEISS is the main source of government funding for self-employed individuals who have been affected by the Covid-19 pandemic. Four grants have been made so far and the portal for claiming grant five is expected to open by the end of this month. The deadline for claiming grant five is 30 September 2021. It is taxable income for 2021-22 for the claimant.

The rules for grant five are largely the same as those for grant four with the key exception of a new turnover test, discussed below.

The new turnover test

The first point to note is that the turnover test is not a bar to claiming grant 5; it comes into play only once the person is satisfied that they meet the conditions for making a claim. Instead, it determines the amount of the grant, as follows:

- ***where the turnover test is met, the person may claim an amount equivalent to their average profit for three months x 80%, capped at £7,500; and***
- ***where the turnover test is not met, the grant is equal to average profit for three months x 30%, capped at £2,850.***

Second, not all claimants are required to consider the turnover test: new traders (ie, those who traded in 2019-20 and not any of 2016-17, 2017-18 and 2018-19) and (broadly) those carrying on an underwriting business are removed from the turnover test.

The turnover test is met where the person's turnover for the pandemic period is at least 30% less than turnover for the reference period.

Meaning of 'turnover'

'Turnover' means the takings, fees, sales and money earned by the business calculated in accordance with GAAP or the cash basis as appropriate.

Importantly turnover excludes any 'coronavirus support payments' as defined by Finance Act 2020 (FA 2020), section 106(2). This includes SEISS grants, Eat Out to Help Out payments and local authority or devolved administration grants.

Meaning of the 'pandemic period'

The 'pandemic period' is the 12-month period beginning on a day falling within the period from 1 April 2020 and 6 April 2020; for example, the year to 31 March 2021 or, where more appropriate, the year to 5 April 2021.

Meaning of the 'reference period'

The 'reference period' is the tax year 2019-20; however, the taxpayer can use 2018-19 where they feel this more accurately reflects their turnover for a typical 12-month period. HMRC's guidance includes the following examples of where this may be appropriate: the person was on carers' leave, long term sick leave or had a new child; they carried out reservist duties or they had lost a large contract.

Turnover for the reference period is turnover for the basis period for the tax year. This can be found on the person's tax return for 2019-20 (or 2018-19, as appropriate), as follows:

- **SA200 completed: box 3.6**
- **SA103S: completed: box 9**
- **SA103F completed: box 15**
- **SA800 completed: box 3.24 or 3.29 (for partnerships)**

Where the basis period for the reference period exceeds 12 months, the turnover figure is apportioned on a just and reasonable basis (eg, on a time basis).

Partners

Special rules apply in the case of partnerships.

Briefly, where the person does not carry on a trade outside of the partnership, turnover is the turnover of the partnership.

Turnover of the partnership is adjusted by reference to the profit-sharing arrangements where:

- ***the person carried on another trade (whether alone or in a different partnership) in the reference period; or***
- ***the person started to carry on a new trade in partnership in the pandemic period and also carried on another trade (again, whether alone or in partnership).***

Mistakes

Where a claim is made on the basis that the turnover test is met, and it is later found that this was not the case (based on the turnover figure reported in the person's 2020-21 tax return), the person must return the excess amount immediately (subject to a de-minimis amount of £100).

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