

---

Written 12 April 2021

## SELF-EMPLOYMENT INCOME SUPPORT SCHEME (SEISS) UPDATE

### The fourth SEISS grant

This guidance has been updated with information about the fourth SEISS grant. The online service to claim the fourth grant will be available from late April 2021. If you are eligible based on your tax returns, HMRC will contact you in mid-April to give you a date that you can make your claim from. It will be given to you either by email, letter or within the online service. You must make your claim on or before 1 June 2021.

See: [Claim a grant through the Self-Employment Income Support Scheme - GOV.UK \(www.gov.uk\)](https://www.gov.uk/claim-a-grant-through-the-self-employment-income-support-scheme)

### How HMRC works out trading profits and non-trading income for the SEISS

HMRC look at your trading profits and non-trading income on your Self-Assessment tax returns to check if you meet the eligibility criteria for the fourth grant. They also use your average trading profits to work out how much grant you will get.

This is shown on your tax calculation as profits from either:

- [self-employment](#)
- [partnerships](#)

HMRC work out your total trading profit after deducting any allowable expenses such as:

- [deductions](#)
- [capital allowances](#)
- [flat rate expenses](#)

If your annual gross trading income, from one or more trades or businesses, is more than £1,000 you may have used the [tax-free allowances](#), instead of deducting any expenses or other allowances.

HMRC will work out your trading profit after deducting any tax-free allowances.

They will not deduct from your trading profits:

- any losses brought forward from previous years
  - your personal allowance
-

---

### Profits from self-employment

HMRC will work out your trading profit after allowable business expenses by adding any losses brought forward from previous years to the amount shown on your tax return as 'total taxable profits from this business.'

### Profits from partnerships

HMRC will work out your share of the partnership's profit after adjustments by adding any losses brought forward from previous years to the amount shown as 'your share of the total taxable profits from the partnership's business.'

Any non-trading income, such as investment income, will be deducted from the partnership's total income before we work out your share of the profits.

### Paper short return

Your trading profit after allowable business expenses is shown on your tax return as 'profit'.

### Trading profit if you have claimed the trading allowance

Example:

	<b>2016 to 2017</b>	<b>2017 to 2018</b>	<b>2018 to 2019</b>	<b>2019 to 2020</b>
Trading income	£21,000	£26,000	£16,000	£21,000
Trading allowance claimed	0	£1,000	£1,000	£1,000
Trading profit	£21,000	£25,000	£15,000	£20,000

### **If you have more than one trade in the same tax year**

HMRC will add together all profits and deduct any losses for all these trades to work out your trading profit.

---

---

## Example

	2019 to 2020
Trade 1 profit	£60,000
Trade 2 loss	£20,000
Trading profit	£40,000

### Non-trading income

This is the amount recorded as 'total income received' on your online or paper tax calculation, less your trading income.

This figure does not include losses.

HMRC will work out your non-trading income by adding together all your:

- income from earnings
- property income
- dividends
- savings income
- pension income
- overseas income
- miscellaneous income (including taxable social security income)

### How HMRC work out your trading profit and non-trading income eligibility

How they work out your eligibility may depend on how many years you have been trading.

If you have different circumstances it can also affect your eligibility.

To be eligible for a grant, your trading profits must be both of the following:

- no more than £50,000
- equal to or more than your non-trading income

### If you started trading in 2019 to 2020

HMRC use your trading profit and non-trading income from your 2019 to 2020 tax return to work out if you are eligible.

---

---

### If you have traded for longer

HMRC work out your eligibility based on your tax returns for either:

- the tax year 2019 to 2020
- an average of the tax years 2016 to 2017, 2017 to 2018, 2018 to 2019 and 2019 to 2020 - if you are not eligible based on 2019 to 2020 alone

If you have a gap in the years you've traded, HMRC will only use your most recent tax returns after the gap, to work out your eligibility.

### Example – if you are not eligible based on your 2019 to 2020 tax return

In your 2019 to 2020 Self-Assessment tax return you made a loss of £10,000 and your non-trading income was £15,000.

You would not be eligible based on your 2019 to 2020 tax return alone because your non-trading income is greater than your trading profits.

HMRC will look at your previous returns to work out if you are eligible.

	<b>2016 to 2017</b>	<b>2017 to 2018</b>	<b>2018 to 2019</b>	<b>2019 to 2020</b>	<b>Average trading profit (4 tax years)</b>	<b>Total</b>
Trading profit	£50,000	£50,000	£36,000	-£10,000	£31,500	£126,000
	<b>2016 to 2017</b>	<b>2017 to 2018</b>	<b>2018 to 2019</b>	<b>2019 to 2020</b>	<b>Total</b>	
Non-trading income	£15,000	£15,000	£16,000	£15,000	£61,000	

In this example, you would still be eligible because:

- your average trading profit for the 4 tax years is £31,500 - which is no more than £50,000
- the sum of your trading profits for the 4 tax years is £126,000 - which is more than the sum of your non-trading income of £61,000 for those years

### How HMRC work out partnership eligibility

If a partnership started trading in the tax year 2019 to 2020 and made £100,000 in trading profits, and the profits are distributed as follows:

---

---

## Example

	Trading profits received	Non-trading income
Partner A	£25,000	0
Partner B	£75,000	0

Partner A would be eligible for the grant, as the trading profits received are no more than £50,000.

Partner B would not be eligible for the grant, as the trading profits received are more than £50,000.

If partnership rules require Partner A to pay the grant into the partnership pot, the partnership should give the full grant back to Partner A.

### How HMRC work out your average trading profits and grant amount

If you are eligible, HMRC will use an average of your trading profits from up to 4 years' of tax returns to work out your grant.

If you have a gap in the years you have traded, they will only use your most recent returns after the gap, to work out the grant.

The fourth SEISS grant is calculated at 80% of 3 months' average trading profits. The most you can get is £7,500.

### If you started trading in 2019 to 2020

If you only traded in the tax year 2019 to 2020, HMRC only use those trading profits to work out your grant.

### If you have traded for all 4 tax years

To work out your average trading profits HMRC add together profits and losses for all 4 tax years, then divide by 4.

## Example

	2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	Average trading profits for the 4 tax years
Trading profit or loss	£60,000	£60,000	-£30,000 loss	£10,000	£25,000

---

---

If you did not trade in the tax year 2016 to 2017

To work out your average trading profits HMRC add together all profits and losses for the tax years 2017 to 2018, 2018 to 2019 and 2019 to 2020, then divide by 3.

**Example**

	<b>2016 to 2017</b>	<b>2017 to 2018</b>	<b>2018 to 2019</b>	<b>2019 to 2020</b>	<b>Average trading profits for the 3 tax years</b>
Trading profit	Did not trade	£25,000	£45,000	£47,000	£39,000

---

If you did not trade in the tax year 2017 to 2018

HMRC will work out your average trading profits based on the tax years 2018 to 2019 and 2019 to 2020, even if you traded in the tax year 2016 to 2017.

**Example**

	<b>2016 to 2017</b>	<b>2017 to 2018</b>	<b>2018 to 2019</b>	<b>2019 to 2020</b>	<b>Average trading profits for 2 years</b>
Trading profit	£25,000	Did not trade	£45,000	£49,000	£47,000

---

If you did not trade in the tax year 2018 to 2019

HMRC will work out your average trading profits based on the tax year 2019 to 2020, even if you traded in the tax years 2016 to 2017 and 2017 to 2018.

**Example**

	<b>2016 to 2017</b>	<b>2017 to 2018</b>	<b>2018 to 2019</b>	<b>2019 to 2020</b>	<b>Average trading profits</b>
Trading profit	£25,000	£45,000	Did not trade	£30,000	£30,000

---

---

### If you did not trade in 2 consecutive tax years

HMRC work out your average trading profits based on your most recent returns.

#### **Example 1**

	<b>2016 to 2017</b>	<b>2017 to 2018</b>	<b>2018 to 2019</b>	<b>2019 to 2020</b>	<b>Average trading profits</b>
Trading profit or loss	- £2,000 loss	Did not trade	Did not trade	£35,000	£35,000

#### **Example 2**

	<b>2016 to 2017</b>	<b>2017 to 2018</b>	<b>2018 to 2019</b>	<b>2019 to 2020</b>	<b>Average trading profits for 2 years</b>
Trading profit or loss	Did not trade	Did not trade	- £3,000 loss	£40,000	£18,500

See: [How HMRC works out trading profits and non-trading income for the Self-Employment Income Support Scheme - GOV.UK \(www.gov.uk\)](#)

### **If your tax return is late, under enquiry or amended**

#### If your tax return is late

If you submitted your Self-Assessment tax return for the tax year 2019 to 2020 on or after 3 March 2021 you will not be able to claim.

When working out your eligibility or the amount you will get, HMRC will not take into account Self-Assessment tax returns for the tax years 2016 to 2017, 2017 to 2018 or 2018 to 2019 if they were submitted on or after 3 March 2021.

#### If your return is under enquiry

HMRC will use the information in your original tax return if it:

- is under enquiry
- has been part of a contract settlement

#### If you have amended your tax return

---

---

When working out your eligibility or the amount you will get, HMRC will not take into account any amendments made to submitted returns for the tax years 2016 to 2017, 2017 to 2018, 2018 to 19 and 2019 to 2020 if the amendments were submitted on or after 3 March 2021.

If an amendment to your tax return on or after the 3 March 2021 lowers the amount you are eligible for, you will need to tell HMRC within 90 days. You may then need to [pay back some or all of the grant](#). If you do not tell HMRC they will contact you after the deadline for making amendments to tell you what amount you may need to pay back.

#### If you are a member of a partnership

Each partner in your partnership will need to make a claim based on their own circumstances.

HMRC will work out your eligibility based on your share of the partnership's trading profits.

If the partnership rules require a grant to be paid into the partnership pot, the partnership should give the full grant back to you. This should be treated as the partnership's income in the same way as any other income.

#### If having a new child affected your 2019 to 2020 tax return

You may be able to make a claim if having a new child affected your 2019 to 2020 tax return.

For this scheme having a new child means:

- being pregnant
- giving birth (including a stillbirth after more than 24 weeks of pregnancy) and the 26 weeks after giving birth
- caring for a child within 12 months of birth if you have [parental responsibility](#)
- caring for a child within 12 months of adoption placement

If you have had a new child, you may be able to claim if:

- the trading profits and total income reported in your 2019 to 2020 tax return mean you do not meet the eligibility criteria for the grant
- you did not submit a 2019 to 2020 tax return

Before making a claim, you must contact HMRC to verify that having a new child has affected your eligibility. To make a claim you must have submitted a 2018 to 2019 tax return and meet all other eligibility criteria.

For the full guidance see: [How your circumstances affect eligibility for the Self-Employment Income Support Scheme - GOV.UK \(www.gov.uk\)](#)

**If you need help in claiming the fourth SEISS grant please contact us. We have access to accurate calculators to work out your likely claim amount.**

---