



HM Revenue
& Customs

Corporation Tax/Income Tax – Taxation of Coronavirus Support Payments

Who is likely to be affected

The legislation will apply to individuals, businesses, individual members of a partnership and employers who receive or apply for a payment from;

- Self-Employment Income Support Scheme (SEISS)
- Coronavirus Job Retention Scheme (CJRS)
- the Small Business Grant Fund (SBGF), the Retail, Hospitality and Leisure Grant Fund (RHLGF), the Discretionary Grant Fund (DGF), or their parallel schemes in the devolved administrations
- other payments made by public authorities to businesses in response to COVID-19
- any other COVID-19 support scheme specified or described in regulations made by the Treasury

General description of the measure

This measure confirms that grants within the legislation are subject to tax. They are treated as income where the business is within the scope of either Income Tax or Corporation Tax. The rationale for this is that in the case of Income Tax these grants are supplanting people's income and, in the case of Corporation Tax, are supplanting companies' revenues. It also provides for a delegated power to make provision about the application of the measure to a particular grant scheme.

The legislation will make clear the grants are taxable like other taxable receipts. Whether or not any tax is paid will depend on their business profits (taking into account the grant and other business income and expenditure under normal tax rules), any other taxable income they may have and their personal and any other allowances to which they are entitled. (To the extent that grants make up for reduced business income, tax liabilities won't be increased in comparison with if business income had been maintained through the coronavirus pandemic).

The measure provides for an Income Tax charge on the recipient of a SEISS or CJRS payment to which they are not entitled or where a CJRS payment has not been used to pay furloughed employee costs and will also give HMRC the power to raise Income Tax assessments to recover such amounts. HMRC will also be able to charge a penalty in cases of deliberate non-compliance.

The measure does not legislate for the operation of any of the COVID-19 support schemes. The Chancellor made a Treasury Direction for the CJRS on the 15 April 2020 and for the SEISS on the 30 April 2020 under Sections 71 and 76 of the Coronavirus Act 2020.

This tax information and impact note only relates to the impacts of the measures the government intends to legislate for within the Finance Bill 2020. The fiscal impacts of the government's COVID-19 support schemes will be assessed through the Office for Budget Responsibility process at the next fiscal event.

Policy objective

In response to COVID-19, the government has set up several schemes to support businesses and individuals, with the aim of minimising the economic impact of the pandemic. These include the CJRS, SEISS, SBGF, RHLGF and DGF schemes. The government has provided the devolved administrations with funding under the Barnett formula which they have used for the provision of schemes similar to SBGF, RHLGF and DGF to support businesses in Scotland, Wales and Northern Ireland.

The measure provides certainty on the tax treatment of the COVID-19 support schemes and provides HMRC with a means to recover overpaid SEISS and CJRS grants and, in cases of deliberate non-compliance, impose a penalty for those claiming a grant to which they are not entitled under the SEISS or CJRS.

Background to the measure

The CJRS was announced by the Chancellor on 20 March 2020 and the SEISS was announced on 26 March 2020.

The SBGF was first announced by the Chancellor at Budget on 11 March 2020.

The RHLGF was announced by the Chancellor on 17 March 2020.

The DGF was announced by the Chancellor on 1 May 2020.

The devolved administrations received funding as a consequence of the SBGF, RHLGF and DGF under the Barnett formula. The devolved administrations have accordingly announced further COVID-19 support payments schemes in Scotland, Wales and Northern Ireland.

It has not been possible to consult earlier on this measure because of the need to prioritise delivery of the schemes, and to start making payments to eligible individuals, businesses and employers at the earliest opportunity.

From the outset payments under the SEISS¹, CJRS² and DGF³ were stated to be taxable in published guidance. FAQs issued to Local Authorities on the implementation of the SBGF and RHLGF were clear on the tax treatment of these schemes and formal guidance was updated to confirm this on 24 April 2020⁴. There is also Gov.uk guidance on the taxability of grants⁵.

¹ <https://www.gov.uk/guidance/claim-a-grant-through-the-coronavirus-covid-19-self-employment-income-support-scheme>

² <https://www.gov.uk/guidance/claim-for-wages-through-the-coronavirus-job-retention-scheme>

³ <https://www.gov.uk/government/publications/coronavirus-covid-19-guidance-on-business-support-grant-funding>

⁴ [ibid](#)

⁵ <https://www.gov.uk/hmrc-internal-manuals/business-income-manual/bim40455> and <https://www.gov.uk/hmrc-internal-manuals/business-income-manual/bim40451>

Detailed proposal

Operative date

The measure will have effect from Royal Assent of the Finance Bill 2020 and will apply to all payments made under COVID-19 support schemes defined in the measure regardless of when paid.

Current law

Current law on the taxation of receipts for affected businesses, for Income Tax assessments and for HMRC's information and inspection powers is in the following legislation.

The rules for notifying liability to Income Tax are in Part II of Taxes Management Act 1970 (TMA 1970).

The rules for claims, appeals, payment, collection and recovery of Income Tax assessments are in Parts IV to VI of TMA 1970.

The Income Tax rules for trading income are in Part 2 of Income Tax (Trading and Other Income) Act 2005 (ITTOIA 2005).

The Income Tax rules for property income are in Part 3 of ITTOIA 2005.

The rules for calculating Income Tax liability are in Part 2 of Income Tax Act 2007 (ITA 2007).

HMRC's information and inspection powers are in Schedule 36 of Finance Act 2008 (FA 2008).

HMRC's power to charge a penalty for a failure to notify is in Schedule 41 of FA 2008.

The rules for calculating Corporation Tax liability are in Part 2 of Corporation Tax Act 2009 (CTA 2009).

The Corporate Tax rules for trading income are in Part 3 of CTA 2009.

The Corporate Tax rules for property income are in Part 4 of CTA 2009.

Proposed revisions

Legislation is included in Finance Bill 2020 that:

- defines a coronavirus support payment
- confirms that a COVID-19 support scheme payment received by a business, or an individual member of a partnership, is within the scope of tax. It is of a revenue nature for the purposes of calculating either Income Tax or Corporation Tax. Business includes a trade, UK or overseas property business or investment business
- provides for specific schemes to be added or excluded, and for changes about the application of this legislation to particular schemes to be made, through regulations made by the Treasury
- ensures HMRC can use its information and inspection powers to check a SEISS or CJRS claim has not been overpaid and that a CJRS payment has been used to pay furloughed employee costs
- gives HMRC powers to raise an Income Tax assessment on anyone who has received a SEISS or CJRS payment to which they are not entitled, or anyone who has not used a CJRS payment to pay furloughed employee costs. The assessment is

equal to the amount to which they are not entitled, or they have not used to pay furloughed employee costs

- ensures the TMA 1970 provisions apply to the assessment
- gives HMRC powers to charge a penalty where a person deliberately makes an incorrect claim for a SEISS or CJRS payment. It also gives HMRC powers to charge a penalty where a person who has claimed a CJRS payment deliberately does not use it for the costs it was intended to reimburse. The penalty will only apply if the person fails to notify HMRC about the situation within 90 days, or 90 days after the Finance Bill receives Royal Assent if it arose before that
- gives HMRC powers to make a company officer jointly and severally liable for the Income Tax charge raised in relation to any CJRS payment to which the company was not entitled or any CJRS payment which was never intended to be used to pay furloughed employee costs in certain circumstances. Those circumstances are where the officer is culpable for making a deliberate CJRS claim to which the company was not entitled. These powers apply where HMRC can meet certain tests showing there is a serious risk that the company will be unable pay the Income Tax assessment

Summary of impacts

Exchequer impact (£m)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026

This measure supports the Exchequer in its commitment to protect revenue. The Office for Budget Responsibility will include the impact of this measure in its forecast at the next fiscal event.

Economic impact

This measure is not expected to have any significant macroeconomic impacts.

Impact on individuals, households and families

HMRC calculate that up to 3.4m individuals are potentially eligible for SEISS. The measure will also have an impact on self-employed individuals receiving business support grants. There is not expected to be an impact on family formation, stability or breakdown as self-employed individuals will be taxed on these receipts in the same way as their other self-employment income is taxed.

Customer experience is expected to improve given that this measure clarifies and provides certainty on its tax treatment to these individuals.

Equalities impacts

This measure will have impacts on anyone who falls within the scope of the COVID-19 Support Schemes. Those affected are anticipated to be represented, proportionately, in each of the groups sharing protected characteristics.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on businesses who have received a payment from a COVID-19 support scheme. One-off costs will include familiarisation with the changes. There are not expected to be any continuing costs.

Customer experience is expected to improve given that this measure clarifies and provides certainty on the tax treatment of support payments to businesses.

The assessment and penalty provisions in this measure have no impact on compliant businesses.

This measure is not expected to have an impact on civil society organisations.

Operational impact (£m) (HMRC or other)

HMRC will need to make changes to IT systems to enable this change. Detailed work is under way, including estimating costs. HMRC will also have to change some staff processes to support customers through this change; the final level of resource required has yet to be quantified.

There is no change to any HMRC system used by a business.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be monitored through information collected from tax returns, receipts and compliance activity.

Further advice

If you have any questions about this change, please contact businessprofits.admin@hmrc.gov.uk.

Declaration

The Rt Hon Jesse Norman, MP Financial Secretary to the Treasury, has read this tax information and impact note and is satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impacts of the measure.