



## **HMRC AND DEVOLVED ADMINISTRATION CORONAVIRUS SCHEMES AND UC**

<b>Contents</b>	<b>Paragraphs</b>
Introduction	1 - 2
Background	3
The schemes	4 - 12
The treatment of payments for UC	13 - 14
Annotations	
Contacts	

### **INTRODUCTION**

1. This Memo outlines how payments under the Coronavirus schemes will be treated for UC. The guidance comes into force immediately.
2. In this Memo “coronavirus” has the meaning given in section 1 of the Coronavirus Act 2020.

### **BACKGROUND**

3. Her Majesty’s Revenue and Customs (HMRC) and the devolved administrations have established a number of special schemes to support workers and business during the coronavirus outbreak.

### **THE SCHEMES**

4. The Coronavirus Job Retention Scheme (CJRS) provides payments of up to 80% of usual monthly wages for employed earners who are on “furlough” up to a cap of £2,500.
5. From 30.06.20 there will be some changes in the scheme. No new entrants will be able to use CJRS and employers will only be able to furlough employees who have been furloughed for a full three-week period prior to 30.06.20



6. From August, employers will be required to pay employers' NI and any pension contributions.
7. From September, CJRS will provide up to 70% of usual monthly wages up to a cap of £2,187.50, Employers will be required to pay 10% of usual monthly wages up to a cap of £2,500, employers' NI and any pension contribution.
8. From October, CJRS will provide up to 60% of usual monthly wages up to a cap of £1,875. Employers will be required to pay 20% of usual monthly wages up to a cap of £2,500, employers' NI and any pension contribution.
9. CJRS will end at the end of October.
10. Payments under the Self-Employed Income Support Scheme (SEISS) are based on average trading profits over the three tax years 2016–17, 2017–18 and 2018-19. An initial payment worth up to 80% of average monthly trading profits may be claimed for a notional period of three months. The payments are capped at £7,500 in total and are taken into account in the calculation of Income Tax and Self-Employed NI.
11. Payments under SEISS have been extended to a second payment worth up to 70% of average monthly trading profits and covering a further 3-month period. The payments are capped at £6,570.
12. A number of schemes have also been announced, including provisions specific to certain vulnerable industries. These mainly consist of loans to assist businesses experiencing cash flow problems. Some of these payments are referred to as "Bounce back Loans".

## **THE TREATMENT OF PAYMENTS FOR UC**

13. CJRS and SEISS payments are treated as earnings in the normal way<sup>1</sup>. Each SEISS payment will be treated as self-employed earnings in the AP in which they are received<sup>2</sup>.

*1 UC Regs, reg 52; 2 UC Regs, reg 57(2)*

14. Business grants and loans intended to provide support during the Coronavirus outbreak will be treated as payments of capital and will be disregarded as business assets<sup>1</sup>.

*1 UC Regs, Sched 10(7)*



**NOTE 1:** Wages in respect of their employees covered by CJRS should not be reported as expenses by a self-employed earner. HMRC rules require that all monies received by employers under the CJRS must be paid to eligible employees.

**NOTE 2:** Self-employed earners who are also paid as employees (e.g. company directors) may also receive CJRS payments. If these are reported through RTI there is no requirement for self-declaration.

**NOTE 3:** Self-employed claimants cannot claim as allowable expenses any expense that has been reimbursed through a coronavirus grant or loan.

**Example 1 – Employee receiving CJRS payments.**

A claim for UC is made on 12.05.20 meaning that the first AP is fixed for the period 12.05.20 to 11.06.20. The claimant reports that he is on furlough and receives a CJRS payment of £1050 on 29.05.20. The DM determines that the claimant's earned income in that AP is £1050.

**Example 2 – Self-employed earner receiving SEISS payments.**

Existing award. The relevant AP is for the period 20.05.20 to 19.06.20. The claimant reports that she received a SEISS payment of £6,000 on 29.05.20. The claimant has permitted expenses of £1,600. The DM determines that the claimant's earned income in that AP is £4,400. The claimant has two employees on furlough.

**Example 3 – Self –employed earner receiving “Bounce back Loan”**

Existing award. The relevant AP is for the period 20.05.20 to 19.06.20. The claimant owns a guest house. She has applied for a SEISS payment but has not yet received it. She has applied for a Bounce back loan and receives £25,000 on 29.05.20. The DM determines that this sum falls to be disregarded as a business asset.

**ANNOTATIONS**

Please annotate the number of this memo (ADM 11/20) against ADM paragraphs:

H2021 (heading) H3020 (heading) H4010 (heading)



## CONTACTS

If you have any queries about this memo, please write to Decision Making and Appeals (DMA) Leeds, 3E zone E, Quarry House, Leeds. Existing arrangements for such referrals should be followed, as set out in – Memo [7/19](#) Requesting case guidance from DMA Leeds for all benefits.

DMA Leeds: June 2020

**The content of the examples in this document (including use of imagery) is for illustrative purposes only**