

Sherlock & Co

Chartered Accountants

Will I need to pay back the Self-Employment Income Support Scheme (SEISS) grant?

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Support for the self-employed has been given through the SEISS Grants 1, 2 and 3 for 2020/21 and will be given for 2021/22 through SEISS Grants 4 & 5.

HMRC have been reviewing cases to check if a business was eligible to receive the grant and will continue as tax returns are filed.

You must tell HMRC, if you have made a claim which you now believe, you may not have been eligible to claim. For example:

- for the first or second grant, your business was not adversely affected;
- for the third or fourth grant, your business had not [been impacted by reduced activity, capacity or demand](#) or inability to trade in the relevant periods; or
- you did not intend to continue to trade.

The repayment of the Grant can be included in your tax return.

Eligibility to receive the Grant

In order to claim under SEISS 1 and SEISS 2, one of the main conditions was that the business must have been adversely affected by COVID-19.

In order to claim under SEISS 3 & 4, the qualifying conditions are stricter. The business not only had to be adversely affected but had to suffer from 'reduced activity, capacity or demand'.

What is meant by 'adversely affected'?

When looking at whether a trade had been adversely affected, there is no specific monetary threshold, and no requirement for income or profits to have fallen by a certain amount.

Instead, HMRC gives the following examples of how a business could be adversely affected by COVID-19:

you are unable to work because you:

- are shielding;
- are self-isolating;
- are on sick leave because of Coronavirus;
- have caring responsibilities because of Coronavirus.

you have had to scale down or temporarily stop trading or incurred additional costs because:

- your supply chain has been interrupted;
- you have fewer or no customers or clients;
- your staff are unable to come in to work;
- one or more of your contracts have been cancelled;
- you had to buy protective equipment so you could trade following social distancing rules.

In order to claim under SEISS 1, the business must have been adversely affected on or before 13 July. In order to claim under SEISS 2, the business must have been adversely affected on or after 14 July 2020.

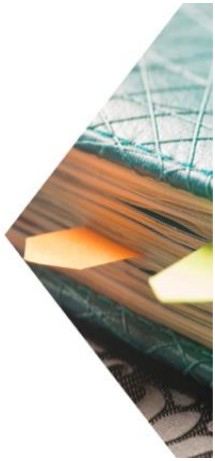
If you claimed under the scheme, you should maintain evidence of how and why your business was adversely affected by COVID-19 and keep a record.

If your business recovered after you had claimed, your eligibility will not be affected.

What is meant by reduced activity, capacity or demand?

HMRC's [guidance](#) breaks this requirement into two separate circumstances, indicating that this condition can be met if you:

- are currently trading but impacted by reduced demand due to COVID-19, or
- have been trading but are temporarily unable to do so due to COVID-19.



In both cases, you must also intend to continue to trade, and reasonably believe that the reduced demand or temporary inability to trade will result in a significant reduction in your trading profits for the basis period in which the period 1 November 2020 to 29 January 2021 (for SEISS 3) or 1 February 2021 to 30 April 2021 (for SEISS 4) falls (see below).

HMRC indicate that you may be impacted by reduced demand if, for example, you:

- have fewer customers or clients than you would normally expect due to social distancing or other government restrictions;
- have one or more contracts cancelled and not replaced.

The guidance makes it clear that increased costs alone (for example from having to buy PPE or cleaning supplies) will not qualify as reduced demand. You will, therefore, not be eligible for SEISS 3 or 4, if this is the only impact on your business.

HMRC indicate that you may qualify due to temporary inability to trade if, for example:

- your business has had to close due to government restrictions;
- you've been instructed to shield or self-isolate and cannot work from home (with the exception of self-isolating as you have returned to the UK from abroad, which does not count);
- you've tested positive for COVID-19, or
- you cannot work due to having parental caring responsibilities (e.g. because schools or childcare facilities have closed).

[HMRC's guidance](#) sets out some examples of when they believe these conditions may, and may not, be met.

What records do I need to keep?

In line with normal self-employment record keeping requirements, you should keep a record of the amount claimed.

You should also keep any evidence that your business has been adversely affected by Coronavirus. [HMRC's guidance](#) details more examples. This could include:

- business accounts showing a reduction in turnover;
- dates your business has to close due to lockdown restrictions.

For the purpose of SEISS 3 and 4, you also need to keep evidence to show you have been affected by reduced activity, capacity or demand as a result of COVID-19. HMRC's guidance indicates that this could include:

- business accounts showing reduction in activity compared to previous years;
- records of reduced or cancelled contracts or appointments;
- fewer invoices;
- a record of dates where you had reduced demand or capacity due to government restrictions.

CONTACT US

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