

LITRG warns self-employed that SEISS is taxable

The Low Incomes Tax Reform Group (LITRG) has warned self-employed individuals that the government's coronavirus (COVID-19) Self-employment Income Support Scheme (SEISS) is taxable.

The group is concerned that many may wrongly assume that the SEISS funds are exempt from tax, particularly as they are termed 'grants' by the government. It said that many people may have to pay a third of the grant back in tax and Class 4 national insurance contributions (NICs).

The LITRG said that grants made to the self-employed via the SEISS are likely to be included in claimants' 2020/21 self assessment tax returns. It has also warned self-employed subcontractors in the construction industry to be vigilant in regard to the SEISS grant being paid without tax being taken off.

Commenting on the issue, Victoria Todd, Head of the LITRG, said: 'Many claimants of the SEISS grants might, understandably, use the money as soon as they get it, for example to catch up on liabilities or to meet essential living costs – but they need to think now about budgeting for income tax and national insurance on it.

'The government has announced recently that a second wave of grants will be paid under the scheme in August 2020. We urge HMRC to do as much as it can to publicise that the grants are chargeable to income tax and national insurance to reduce the risk of people being surprised by higher-than-expected 2020/21 tax bills.'