

Funding for the self employed during the coronavirus cr...

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There is [widespread reporting](#) this morning that the government will today be announcing new funding arrangements for the self-employed for the duration of the coronavirus crisis. This is, of course, welcome, and overdue.

We do not know precisely what these arrangements will be as yet. But I will be judging them against my own proposal for such funding made on Sunday, [which was as follows](#):

My suggestion is in several parts, but some facts have to be considered first

In practice, what Sunak has offered to employees is a maximum of £24,000 pounds a year, which for an average person, after tax and National Insurance of about £4,200 on this sum would leave them with a net income per month of about £1,650. As a matter of fact, this is higher than the average self-employed earnings in the UK at present. The importance of this figure is that any support to the self-employed should not involve payment to them of tax and National Insurance that would, then, be subject to later recovery, if appropriate.

Then it is important to note that unlike employees self-employed people have considerable variations in their earnings from time to time. For this reason it is unfair to provide support now on the basis of, for example, the last tax return which may be wholly unrepresentative of a self-employed persons income overtime. I am instead suggesting that support be provided on the basis of their average net declared earnings declared from self-employment over the last three years. If they have underdeclared those earnings, that is their problem, I am afraid. If they have a loss during the period that should be ignored for these purposes.

The self-employed person should, then, be permitted to make a claim of 80% of this average figure for their earnings over the last three tax years subject to a maximum, in this case, of £20,000 (there is no point in being spuriously accurate) per annum to allow for likely tax that would have been paid.

The self-employed person could then claim this sum in monthly instalments to add to

their income this year. I stress, that income would remain taxable.

This claim could be done by simply making payment through the HMRC payment on account system through which payment could also be made.

That said, the possibility of fraud (and it is significant) would have to be addressed. I suggest three measures. First, for this year the self-employed will have to declare their billings per month on their tax returns. This is really not hard.

Second, if during a month their billings per month multiplied by the ratio of their net profit to turnover as shown on their last three tax returns plus the amount claimed in coronavirus support exceeded £1,666 in any month then the excess will have to be repaid in full: there is a duty to make sure overclaims do not arise now. This is not a difficult figure to calculate. HMRC could easily provide a calculator.

Third, to prevent billing being delayed to permit claims to be made, if total net earnings in the year (presuming there is a recovery after lockdown) exceed £24,000 then a repayment of support provided will be expected in 2021/22. A tapering mechanism may be appropriate: full repayment might, for example, be required if income exceeds £36,000, but this would need to be tested and I have not yet had time to do that.

Fourth, a self-employed person would be required to take into consideration other sources of income when making their claim: it must not be possible that their total income with the claim included should exceed £1,666 in gross terms. If they did make a claim without taking this factor into account all excess payments made would be refundable, in full on demand.

Subject to these factors HMRC should now simply pay requests made.

I would be inclined to extend this scheme to small landlords as well, but quite specifically subject to them granting their tenants rent holidays.

And I would be planning a considerable increase in staffing at HMRC to check the claims in due course. Their closure and consolidation programmes must end now.

Do this and I think the problem for the self-employed would be substantially solved.

Let's see what happens.