

**HER MAJESTY’S REVENUE AND CUSTOMS AND
DEVOLVED ADMINISTRATION CORONAVIRUS SCHEMES
AND UNIVERSAL CREDIT**

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INTRODUCTION

1. This memo outlines how payments under the coronavirus schemes will be treated for Universal Credit purposes. The guidance comes into force immediately.

Note: In this memo “coronavirus” has the meaning given in section 1 of the Coronavirus Act 2020.

BACKGROUND

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

THE SCHEMES

3. The Coronavirus Job Retention Scheme provides payments of up to 80% of usual monthly wages for employed earners who are on “furlough” up to a cap of £2,500.

4. From 30.6.20 there will be some changes in the scheme. No new entrants will be able to use the Coronavirus Job Retention Scheme and employers will only be able to furlough employees who have been furloughed for a full three-week period prior to 30.6.20.
5. From August, employers will be required to pay employers' National Insurance contributions and any pension contributions.
6. From September, the Coronavirus Job Retention Scheme 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' National Insurance contributions and any pension contributions.
7. From October, the Coronavirus Job Retention Scheme 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' National Insurance contributions and any pension contributions.
8. The Coronavirus Job Retention Scheme will end at the end of October.
9. Payments under the Self-Employed Income Support Scheme 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 March - May 2020. The payments are capped at £7,500 in total and are taken into account in the calculation of Income Tax and self-employed National Insurance.
10. Payments under the Self-Employed Income Support Scheme have been extended to a second payment worth up to 70% of average monthly trading profits and covering a 3-month period of June - August 2020. The payments are capped at £6,570.
11. 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 UNIVERSAL CREDIT PURPOSES

12. Payments from the Coronavirus Job Retention Scheme and the Self-Employed Income Support Scheme are treated as earnings in the normal way¹. Each Self-Employed Income Support Scheme payment will be treated as self-employed earnings in the assessment period in which it is received².

1 UC Regs (NI) 16, reg 51; 2 reg 57(2)

13. 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 assets¹.

1 UC Regs (NI) 16, Sch 10, para 7

Note 1: Wages in respect of their employees covered by the Coronavirus Job Retention Scheme should not be reported as expenses by a self-employed earner. Her Majesty's Revenue and Customs rules require that all monies received by employers under the Coronavirus Job Retention Scheme must be paid to eligible employees.

Note 2: Self-employed earners who are also paid as employees (e.g. company directors) may also receive Coronavirus Job Retention Scheme payments. If these are reported through Real Time Interface 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 Coronavirus Job Retention Scheme payments.

A claim for Universal Credit is made on 12.5.20 meaning that the first assessment period is fixed for the period 12.5.20 to 11.6.20. The claimant reports that he is on furlough and receives a Coronavirus Job Retention Scheme payment of £1050 on 29.5.20. The decision maker determines that the claimant's earned income in that assessment period is £1050.

Example 2 - Self-employed earner receiving Self-Employed Income Support Scheme payments.

The claimant has an existing award. The relevant assessment period is for the period 20.5.20 to 19.6.20. The claimant reports that she received a Self-Employed Income Support Scheme payment of £6,000 on 29.5.20. The claimant has permitted expenses of £1,600. The decision maker determines that the claimant's earned income in that assessment period is £4,400.

Example 3 - Self-employed earner receiving "Bounce Back Loan"

The claimant has an existing award. The relevant assessment period is for the period 20.5.20 to 19.6.20. The claimant owns a guest house. She has applied for a Self-Employed Income Support Scheme payment but has not yet received it. She has applied for a Bounce Back Loan and receives £25,000 on 29.5.20. The decision maker determines that this sum falls to be disregarded as a business asset.

ANNOTATIONS

Please annotate the number of this memo (ADM Memo 10/20) against the following ADM paragraphs:

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

CONTACTS

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