

Written evidence submitted by Olga FitzRoy (Founder at Parental Pay Equality)

Self-employed mothers and SEISS

Introduction

Parental Pay Equality is an organisation founded in 2017 to campaign for shared parental leave for the self-employed. We also conduct research into how the maternity allowance system affects self-employed families and campaign for change.

Problem with mothers' average incomes calculated for SEISS

Women who qualify for SEISS face a reduction in the level of support they will receive if they have been on maternity leave in the three tax years between 2016-17 and 2018-19, as the level of support is calculated on an average across these three years where an individual has tax returns for these three years.

This is not a true reflection of their profits when they are trading normally.

This is in contrast to fathers who will not see a dip in their earnings as there is no paternity or shared parental leave for the self-employed.

It is also in contrast to employees, whose furlough payments are based on salary, not current or past maternity pay.

According to IPSE the gender pay gap amongst the self-employed is a shocking 43%¹ so it is vital that the income support scheme does not exacerbate these inequalities by reducing women's incomes further.

Numbers of women affected

An FOI showed the numbers of self-employed women for 2015 and 2016 were as follows:

2015 - claiming standard rate MA & are self employed 24,500
2015 - claiming lower rate MA & are self employed 700
2015 - claiming variable rate or other rate MA - 700
Total = 26,900

2016 - claiming standar rate MA & are self employed 23,500
2016 - claiming lower rate MA & are self employed 1100
2016 - claiming variable rate or other rate MA - 400
Total = 25,000

Given the total number of self-employed people has consistently risen since 2016 I would expect these figures to be higher now, but it gives an idea of the number of women affected in each year. Over 75,000 women's average income calculations will be lowered in a way that does not reflect their profits when they are trading.

¹ <https://www.ipse.co.uk/policy/campaigns/women-in-self-employment/women-in-self-employment-report.html>

Conflicting information published by government and ministers

Importantly for this committee there have been contradictory statements from officials and ministers on the rules around workers who have taken maternity leave calculating SEISS.

The chancellor in a letter to the chair of this committee dated 20th April said that claimants could choose to calculate their income based on either 2018-19 or an average of 2016-17 to 2018-19.

<https://publications.parliament.uk/pa/cm5801/cmselect/cmtreasy/correspondence/Financial-Package-Letter-from-Chancellor-to-Chair.pdf>

This contradicts the guidance published on the government website which states:

“How much you’ll get

You’ll get a taxable grant based on your average trading profit over the 3 tax years:

2016 to 2017

2017 to 2018

2018 to 2019

To work out the average trading profit we will add together your total trading profits or losses for the 3 tax years then divide by 3.”

A clarification from an official working at DWP, dated 28th April also contradicts the chancellor’s statement:

“You also asked about the SEISS process for women with gaps in earnings during the eligible years due to periods of maternity leave. I’ve reached out to HMRC who lead on the SEISS scheme, and they have confirmed that the average is taken over three years regardless of periods where a Maternity Allowance claim has been made. There is no difference to the way the eligibility tests and calculation of the SEISS grant are carried out for someone who has claimed Maternity Allowance.”

The scheme suggested in the letter from the chancellor is slightly more helpful than what the official guidance and the DWP official suggest. It would allow women some choice in which years are used to calculate their average income, although the c. 25,000 women who took maternity leave in 2018-19 would still record a drop in income.

Solution

We would favour a scheme that would allow mothers who had a claimed maternity allowance in the 3 relevant years to nominate which single tax year was used to calculate their average income.

Advantages:

- System already set up for assessing single year profits for those with less than 3 years tax returns
- Mothers incomes are not artificially reduced by periods of maternity leave
- DWP already holds data on those claiming maternity allowance

April 2020