

EIC0427

Written evidence submitted by Alistair Handyside (Executive Chair at Professional Association of Self-Caterers UK)

Thank you for the opportunity to submit evidence of where the Governments support measures may not be reaching specific sectors of the market and leaving Micro SME's with no means of Government support in the COVID crisis

Can we bring to your attention the plight of around 50,000 real micro businesses? These are small self-catering businesses. Real Micro businesses, so very few would be turning over more than £100k per annum.

Most Councils are not letting self-catering apply for the Top Up Discretionary Grants as it only says 'like B and B's and are not allowing any flexibility on that .

As a result, these businesses really are at the bottom of the pile for any kind of support, and have lost approximately half their annual turnover by being closed during the peak bookings and balance period of March to July.

Finally, these business owners cannot apply for the SEISS as they are paid under FHL (Furnished Holiday Lettings Rules) because of a technicality on the Income Tax Return. At a time when the Government has (rightly) closed us down to stop the spread of Covid-19, these businesses have closed and have zero income, and may also be refunding guests deposits too.

We are asking for the Government to rectify this technicality. All "self-employed" professional self-caterers will fall into the same pitfall.

Notes:

Furnished Holiday Lettings occupy a special niche in the tax world, and – subject to meeting the FHL criteria <https://www.gov.uk/government/publications/furnished-holiday-lettings-hs253-self-assessment-helpsheet/hs253-furnished-holiday-lettings-2018> - are regarded as **trading businesses** for tax purposes. As such, unlike Residential Property, FHL income is **subject to VAT and business rates**.

From an income tax return perspective, however, importantly, FHL income is reported under "Property - FHL (Furnished Holiday Let) Income", and as such is **not classified by HMRC as a self-employment**, but is considered to be property income. For that reason, **"self-employed" self-catering operators will NOT benefit from the assistance for the self-employed under the current Government scheme.**

While the Government is likely to want to avoid paying assistance to second home owners and casual operators who do not derive their main income from self-catering, there are many unincorporated professional self-catering operators whose sole income is the operation of their FHL businesses. It should be possible within the HMRC system to include FHL income where it meets the same criteria as those applied to the assistance for self-employment, namely:

EIC0427

*Your self-employed trading profits must also be less than £50,000 and more than half of your income come from self-employment. This is determined by at least one of the following conditions being true:

- having trading profits/partnership trading profits in 2018-19 of less than £50,000 and these profits constitute more than half of your total taxable income
- having average trading profits in 2016-17, 2017-18, and 2018-19 of less than £50,000 and these profits constitute more than half of your average taxable income in the same period

If you started trading between 2016-19, HMRC will only use those years for which you filed a Self-Assessment tax return.

* Extract from <https://www.gov.uk/guidance/claim-a-grant-through-the-coronavirus-covid-19-self-employment-income-support-scheme>

This issue has been brought to the attention of both DCMS and Treasury, via our connections with the industry trade associations, however we have heard nothing yet. Please can we ask for your support in putting this forward once again, and we thank you for the opportunity to do so.

About PASC UK Ltd

The Professional Association of Self-Caterers (PASC) is focussed entirely on supporting the sector in getting a fairer deal on taxation and regulation for its Members. It is the largest Membership Association of Independent self-caterers in England and Wales, representing over 5,000 professional self-caterers, those that earn the majority of their income from the sector.

May 2020