

## Sample grant calculations

### Simple worked examples

1. Annually: self-employed average profit between £37,500 and £50,000.  
Monthly: qualify for the capped amount of £2,500 per month.  
Total three month payment in June: £7,500.  
*Assuming 20% tax, this will add £1,500 to your 2020-21 tax bill.*
2. Annually: self-employed average profit of £30,000. 80% = £24,000.  
Monthly: qualify for £2000 per month.  
Total three month payment in June: £6,000.  
*Assuming 20% tax, this will add £1,200 to your 2020-21 tax bill.*
3. Annually: self-employed average profit of £20,000. 80% = £16,000.  
Monthly: qualify for £1,333 per month.  
Total three month payment in June: £4,000.  
*Assuming 20% tax this will add £800 to your 2020-21 tax bill.*

If your total income in 2020-21 ends up below the annual tax-free allowance (£12,500) the 20% tax due in the examples above may not be applicable.

If your total income exceeds the higher rate tax threshold it may be taxed at 40%.

We are seeking clarification on whether the grants are also liable to class 4 NI (nine per-cent on self-employed profits above £9,500) and counted as part of your income when assessing student loan repayments (if applicable).

### Complex worked examples

#### Example 1

You teach at four different institutions earning a total of £17,852 from employment in 2018-19. Your self-employed profit from private teaching and gigs was £24,432, and you have rental profit of £9,701, making your total taxable income for the year £51,985.

$£24,432 \div £51,985 = 0.47$  i.e. 47%, as less than half your income is from self-employment you do not satisfy condition 3a.

In 2017-18, your self-employed profit was £33,932 and total taxable income was £51,291.

In 2016-17, your self-employed profit was £12,807 and total taxable income was £44,437.

Your average annual self-employed profit over the three years:

$$(\pounds24,432 + \pounds33,932 + \pounds12,807) \div 3 = \pounds23,724$$

Average annual total taxable income over the three years:

$$(\pounds 51,985 + \pounds 51,291 + \pounds 44,437) \div 3 = \pounds 49,238$$

$\pounds 23,724 \div \pounds 49,238 = 0.48$  i.e. 48%, so you do not satisfy condition 3b either and are ineligible for the grant.

### Example 2

You have been fully self-employed for many years, but took a one year employed contract with an orchestra in October 2018, which severely reduced the amount of freelance work you were able to accept alongside the contract.

For 2018-19, your self-employed profit was  $\pounds 19,677$  and total taxable income was  $\pounds 37,859$ .

$\pounds 19,677 \div \pounds 37,859 = 0.52$  i.e. 52%, so you satisfy condition 3a and are eligible for the taxable grant.

But how much will you receive?

- for 2017-18, your self-employed profit of  $\pounds 28,353$  was the same as your total taxable income
- for 2016-17, your self-employed profit of  $\pounds 26,387$  was the same as your total taxable income

For your average monthly earnings: take the three annual self-employed profit figures and divide by 36 months:

$$(\pounds 19,677 + \pounds 28,353 + \pounds 26,387) \div 36 = \pounds 2,067.$$

The taxable grant will be 80% of your average monthly earnings, so  $\pounds 1,654$ , and the three-monthly payment you should receive in June is  $\pounds 4,962$ .

Remember to make a note that **20% tax is potentially payable** on this and will be  $\pounds 992.40$ , assuming you earn above the taxable thresholds in 2020-21.