



Dear Chancellor,

### **#ForgottenFreelances**

The National Union of Journalists (NUJ) is the voice for journalism and journalists in the UK and Ireland. The NUJ has more than 8,000 freelance members, many of whom have now seen all their work for the foreseeable future disappear completely and are facing destitution. As you will be aware, one-third of the UK's creative workforce are self-employed – much higher than the national average of 15 per cent.

On 26 March 2020, the UK Government announced the Self-Employment Income Support Scheme (SEISS) to support self-employed individuals (including members of partnerships) whose income has been negatively impacted by coronavirus.

Whilst this is welcomed, it is becoming clear that many individuals are excluded from support at this time of unprecedented crisis and need. It is urgent that the Government address these gaps and provide support.

We urge the UK Government to work to bring in these measures quicker than the beginning of June, as this will be too late for many of the self-employed and will cause real hardship, and to extend the announced measures so that excluded are supported.

The SEISS scheme must be based on sole trader turnover and not net profit. Many have seen their income disappear but not their overheads, and expenses such as rent, heating, internet, telephone, insurance, equipment hire, bank charges and professional fees still have to be met regardless of the sole trader's income. These costs are frequently greater than the sum identified as profit.

The requirement to have traded in 2019-2020 and to have filed a tax return for 2018-19 unfairly excludes individuals who are in their first year of being self-employed, often the most precarious and expensive time, with necessary investment in equipment, insurances, working premises and other overheads. There is no equivalent time qualification precluding employees under the Coronavirus Job Retention Scheme and it is unjust to penalise those who have recently become self-employed.

Many individuals will not qualify because their self-employed work (under self-assessment) is less than 50%. It is unfair to have a cliff edge, so that those earning 51% of their income through self-employed work get support, but those who earn 49% get nothing. It should be possible to have some form of tapering system to help those who will get nothing from the SEISS scheme.

Many self-employed individuals will have previously been employees and have paid tax and NICs via PAYE. Many have been forced to become self-employed through redundancy and the increasing casualisation of the creative industries. And yet they find themselves now with no support.

The UK Government must have a care and include in the scheme assistance for those who have had time out for having a baby, caring duties or illness and also maternity; women will be disproportionately affected. Also, the gap in support and the wait until June may force self-employed disabled people to apply for universal credit and then lose income as a result of transitioning from legacy benefits which currently includes the severe disability premium.

Many self-employed disabled people fear losing their Access to Work support package if their working hours drop. Individuals have reported significant difficulties and delays with contacting their Access to Work case officers for advice and support. We call for discretion to be provided to keep support packages in place to enable disabled people to continue to work at reduced hours.

The UK Government must recognise the status of self-employed individuals who while not recognised as employees under employment legislation have been paying tax and NICs via PAYE as “employed for tax purposes”. Currently they have little support.

While the UK Government has issued guidance indicating that everyone covered by PAYE can be included, many employers and organisations are refusing to furlough under the Coronavirus Job Retention Scheme. Clear instructions must be issued that individuals paid via PAYE should be furloughed as the scheme has now opened.

Many of our freelance members work for public sector organisations – including the BBC - who cannot access the Coronavirus Job Retention Scheme.

Many of these individuals, because they are paid via PAYE for some of their work, albeit they are still self-employed, will be unable to fulfil the criteria of the majority of their income coming from self-employment under self-assessment.

Many individuals will not qualify for SEISS because their self-employed work (under self-assessment) is less than 50% because their PAYE work is greater. The only reason that many are on PAYE is because companies insist on freelancers being paid in this way. Such companies did not want the individual to acquire rights under employment legislation. Again, it is unfair that someone earning 51% from PAYE freelance work and 49% of self-employed (self-assessed) work is then excluded from claiming via SEISS.

Many cannot be furloughed as they were not working for a company on the cut-off date of 19 March 2020 but will now be ineligible for the SEISS scheme because they have previously paid their tax and NICs via PAYE.

Many individuals are forced to combine employed work with self-employed work (under self-assessment) straddling both systems part-time. As a consequence, their self-employed work is less than 50% so they will not qualify under SEISS but they can only be furloughed at

80% of a part-time salary. This will disproportionately affect women, the low-paid and disabled people who are more likely to have part-time work.

Further, whereas the self-employment calculations are based on the three years up to and including the 2018/19 tax year, the amount you are entitled to 80% of as a furloughed PAYE employee is based on the 2019/20 tax year.

Individuals also often work on fixed-term contracts of varying lengths. However the UK Government advice now is that where a fixed-term employee's/PAYE contract ends on or before 19 March 2020 because it is not extended or renewed before its natural conclusion, employers and organisations will not be able to furlough under the Coronavirus Job Retention Scheme.

These individuals cannot be allowed to 'fall between the cracks'. Provision could be made under a Freelance Worker Income Support Scheme with HMRC looking at all income under Self-Assessment and PAYE.

Those who have profits of more than £50,000 may also have seen all their work cancelled for the best part of the year. These individuals must be included in any support. Again, in the Coronavirus Job Retention Scheme there is no equivalent preclusion and the cap of £2,500 could equally be applied in these cases.

Those working via limited companies have also seen the almost complete loss of their work. Many were forced to incorporate because they were working for companies who would not deal with sole traders. Again, such companies did not want the individual to acquire rights under employment legislation.

There are no longer any financial advantages to working via a limited company, with most of the profits of a small business now taxed at 27.5 per cent, so the total deductions are similar to those of a sole trader or a PAYE employee – they are just calculated differently. These individuals are now being told they will get no help during this pandemic and that surely cannot be fair?

While office holders and salaried company directors are eligible to be furloughed and receive support through this scheme, furloughed directors can only carry out particular duties to fulfil their statutory obligations and no more than would be reasonably judged necessary for that purpose and they cannot do work that would generate commercial revenue. The practical reality is that salaried individuals who are directors will have to continue to try and find new work, contacts plus keeping any work going that they can continue.

It is an error to say that dividends are not taxed as income. They are. They are taxed at rates directly related to tax brackets. In the lower tax bracket dividends are taxed at 7.5%. If an individual reaches the higher tax bracket, they would be taxed at a higher rate of 32.5%. It is the same tax bracket as for the self-employed and PAYE employees and there is the additional rate for even higher earners.

Those running limited companies need a system similar to that offered to sole traders and partnerships, based on their tax returns. These show how much they received in both pay and dividends so can provide an average income for the past three years. Any extra money

that they earn will still be shown in future tax returns and will be taxed accordingly. They are the most regulated of all the self-employed, producing accounts for Companies House as well as HMRC and are asking why they are excluded for support.

We continue to ask the UK Government to raise universal credit to a Real Living Wage equivalent. While the increase due to the coronavirus pandemic is welcomed, the payment of £94.25 is simply not enough to live on and pay bills. Thresholds for universal credit must be dropped or reformed as many freelancers are barred from applying because they have money put by to pay tax and other contingencies.

We also understand that those living in Northern Ireland but working in the Republic of Ireland are not entitled to claim their social welfare in the Republic and even though they have paid PRSI to the Irish Government will only be entitled to a much lower amount via the UK Government.

Can the UK Government also confirm that savings set aside for tax/business purposes will be exempt from consideration for those who need to apply for universal credit?

We urge the UK Government to look at the scheme again in order to provide more support for freelancers and the self-employed. Longer term support is also needed beyond June as most freelancers will see a longer-term impact from cancelled work and events that will extend well beyond the summer. When furloughed/employed individuals start going back to work many freelancers will still be facing significant continuing loss of income.

The UK economy is heavily reliant on freelancers and the self-employed. Supporting individuals to stay afloat now and in the forthcoming months is vital if we want the economy to pick up again when the lockdown relaxes. If freelancers and the self-employed are in debt and lose the means and tools in order to do their jobs then it will be far more onerous for them to get their businesses up and running again and be in a position to take on work once the economy starts to recover. The huge complexity in addressing financial support is a result of the casualisation of our industry and has resulted in deeply unfair working conditions for self-employed people with the precarious nature of securing work, lack of holiday pay and sick pay, and employer pension contributions. In the longer term many will simply not be able to stay working in the industry if the situation continues and no further support is given.

Yours sincerely,

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General secretary, National Union of Journalists