

NR

CS&TD TAD)

**From:** Elsby, Matthew - HMT <Matthew.Elsby@hmtreasury.gov.uk>  
**Sent:** 23 March 2020 19:36  
**To:** Page, Helen (CS&TD Individuals Policy); Jones, Victoria - HMT; NR HMT  
**Cc:** Riley, Paul (CS&TD TAD); NR CS&TD TAD); NR DE)  
**Subject:** RE: taper and losses [OFFICIAL-SENSITIVE]

Hi Helen,

All good questions. Some instinctive thoughts below, but would be interested to see what other people think.

- Jim has asked if the total income threshold (?£50,000) will be a cliff edge or a taper. Perhaps we should consider a taper. When we did a cliff edge for HICBC we got such a lot of grief we subsequently introduced a taper, so that you got an increasingly higher charge as you moved from £50,000 up to £60,000. Cliff edges are unpalatable as someone with £50,001 misses out. **I think we are less concerned with a cliff-edge than for HICBC, because this is a one off payment, and paid in reference to a historical year. So we're not concerned about economic distortions here. The fairness point still stands, and I assume it would relatively straightforward to code a taper in? I'm wary of throwing new design features at this point – perhaps we should see how keen CX is on an income cap overall, and then offer a taper if that's the route he's going down?**
- A simpler alternative to the three year average might be to give a fixed amount (£1000?) to self employed who had losses for 2018-19. **So I think you're saying we would give an award as a percentage of profits for profitmaking traders in 18/19, and a flat grant to loss-making traders. I can see the reasoning here - the two downsides I think to this are (i) you would subsidise some loss-making traders more than some profit-making traders and (ii) we still can't identify loss-making partners, I think?**
- As we drill down we are flushing out design complexities for any grant and/or eligibility threshold calculated by reference to an annual amount of profit. What if someone started their self employment in, say, January 2019 and earned £10,000 profit? Do we stick with £10,000 as the reference amount or pro rata up to £40,000? **Tricky. My inclination is not to pro-rata, because wouldn't you have to do it the other way too, e.g. pro-rata the profits of someone who ceased trading in July 2018?**

Thanks,

NR



NR

Head of Income Tax, Economics, and Receipts, Personal Tax  
1 Horse Guards Road, 1<sup>st</sup> Floor, Orange Zone, London, SW1A 2HQ  
T: I&S [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk)

**From:** helen.page@hmrc.gov.uk <helen.page@hmrc.gov.uk>  
**Sent:** 23 March 2020 19:26  
**To:** Jones, Victoria - HMT <Victoria.Jones@hmtreasury.gov.uk>; NR HMT  
NR @hmtreasury.gov.uk>; Elsby, Matthew - HMT <Matthew.Elsby@hmtreasury.gov.uk>  
**Cc:** paul.riley@hmrc.gov.uk; NR @hmrc.gov.uk  
**Subject:** taper and losses [OFFICIAL-SENSITIVE]

Victoria, Matt NR  
A couple of thoughts: