
STATUTORY INSTRUMENTS

1987 No. 1973

The Family Credit (General) Regulations 1987

PART IV

INCOME AND CAPITAL

CHAPTER IV

SELF-EMPLOYED EARNERS

Calculation of net profit of self-employed earners

22.—(1) For the purposes of regulation 15 (normal weekly earnings of self-employed earners), the earnings of a claimant to be taken into account shall be—

- (a) in the case of a self-employed earner who is engaged in employment on his own account, the net profit derived from that employment;
- (b) in the case of a self-employed earner whose employment is carried on in partnership or is that of a share fisherman within the meaning of the Social Security (Mariners' Benefits) Regulations 1975 ^{M1}, his share of the net profit derived from that employment less—
 - (i) an amount in respect of income tax and social security contributions payable under the Social Security Act calculated in accordance with regulation 23 (deduction of tax and contributions for self-employed earners); and
 - (ii) [^{F1}one-half of the amount in respect of any qualifying premium calculated in accordance with paragraph (13)].

(2) There shall be disregarded from a claimant's net profit any sum, where applicable, specified in Schedule 1.

(3) For the purposes of paragraph (1)(a) the net profit of the employment shall, except where paragraph [^{F2}(3A),] (9) or (10) applies, be calculated by taking into account the earnings of the employment [^{F3}received in the assessment period], less—

- (a) subject to paragraphs (5) to (7), any expenses wholly and exclusively defrayed in that period for the purposes of that employment;
- (b) an amount in respect of—
 - (i) income tax; and
 - (ii) social security contributions payable under the Social Security Act, calculated in accordance with regulation 23 (deduction of tax and contributions for self-employed earners); and
- (c) [^{F4}one-half of the amount in respect of any qualifying premium calculated in accordance with paragraph (13)].

[^{F5}(3A) For the purposes of paragraph (1)(a), in a case where the assessment period is determined under regulation 15(1)(b), the net profit of the employment shall, except where paragraph (9) applies,

be calculated by taking into account the earnings of the employment relevant to that period (whether or not received in that period), less—

- (a) subject to paragraphs (5) to (7), any expenses relevant to that period (whether or not defrayed in that period) and which were wholly and exclusively incurred for the purposes of that employment;
- (b) an amount in respect of—
 - (i) income tax; and
 - (ii) social security contributions payable under the Social Security Act, calculated in accordance with regulation 23; and
- (c) [^{F6}one-half of the amount in respect of any qualifying premium calculated in accordance with paragraph (13)].]

(4) For the purposes of paragraph (1)(b) the net profit of the employment shall, except where paragraph [^{F7}(4A), (9) or] (10) applies, be calculated by taking into account the earnings of the employment [^{F8}received in the assessment period] less, subject to paragraphs (5) to (7), any expenses wholly and exclusively defrayed in that period for the purposes of that employment.

[^{F9}(4A) For the purposes of paragraph (1)(b), in a case where the assessment period is determined under regulation 15(1)(b), the net profit of the employment shall, except where paragraph (9) applies, be calculated by taking into account the earnings of the employment relevant to that period (whether or not received in that period) less, subject to paragraphs (5) to (7), any expenses relevant to that period (whether or not defrayed in that period) and which were wholly and exclusively incurred for the purposes of that employment.]

(5) Subject to paragraph (6), no deduction shall be made under [^{F10}paragraphs (3)(a), (3A)(a), (4) or (4A), as the case may be,] in respect of—

- (a) any capital expenditure;
- (b) the depreciation of any capital asset;
- (c) any sum employed, or intended to be employed, in the setting up or expansion of the employment;
- (d) any loss incurred before the beginning of the assessment period;
- (e) the repayment of capital on any loan taken out for the purposes of the employment;
- (f) any expenses incurred in providing business entertainment.

(6) A deduction shall be made under [^{F11}paragraphs (3)(a), (3A)(a), (4) or (4A), as the case may be,] in respect of the repayment of capital on any loan used for—

- (a) the replacement in the course of business of equipment or machinery; and
- (b) the repair of an existing business asset except to the extent that any sum is payable under an insurance policy for its repair.

(7) An [^{F12}appropriate officer] shall refuse to make a deduction in respect of any expenses under [^{F13}paragraphs (3)(a), (3A)(a), (4) or (4A), as the case may be,] where he is not satisfied that the expense has been defrayed or given the nature and the amount of the expense that it has been reasonably incurred.

(8) For the avoidance of doubt—

- (a) a deduction shall not be made under [^{F14}paragraphs (3)(a), (3A)(a), (4) or (4A), as the case may be,] in respect of any sum unless it has been expended for the purposes of the business;
- (b) a deduction shall be made thereunder in respect of—
 - (i) the excess of any VAT paid over VAT received in the assessment period;

- (ii) any income expended in the repair of an existing business asset except to the extent that any sum is payable under an insurance policy for its repair;
- (iii) any payment of interest on a loan taken out for the purposes of the employment.

(9) Where a claimant is engaged in employment as a child minder the net profit of the employment shall be one-third of the earnings of that employment, less—

- (a) an amount in respect of—
 - (i) income tax; and
 - (ii) social security contributions payable under the Social Security Act, calculated in accordance with regulation 23 (deduction of tax and contributions for self-employed earners); and
- (b) [^{F15}one-half of the amount in respect of any qualifying premium calculated in accordance with paragraph (13)].

[^{F16}(10) Where regulation 15(2) (normal weekly earnings of self-employed earners) applies—

- (a) for the purposes of paragraph (1)(a), the net profit derived from the employment shall be calculated by taking into account the claimant’s estimated and, where appropriate, actual earnings from the employment less the amount of the deductions likely to be made and, where appropriate, made under sub-paragraphs (a) to (c) of paragraph (3); or
- (b) for the purposes of paragraph (1)(b), his share of the net profit of the employment shall be calculated by taking into account the claimant’s estimated and, where appropriate, his share of the actual earnings from the employment less the amount of his share of the expenses likely to be deducted and, where appropriate, deducted under paragraph (4); or
- (c) in the case of employment as a child-minder, the net profit of the employment shall be calculated by taking into account one-third of the claimant’s estimated earnings and, where appropriate, actual earnings from that employment less the amount of the deductions likely to be made and, where appropriate, made under sub-paragraphs (a) and (b) of paragraph (9).]

(11) For the avoidance of doubt where a claimant is engaged in employment as a self-employed earner and he is also engaged in one or more other employments as a self-employed or employed earner any loss incurred in any one of his employments shall not be offset against his earnings in any other of his employments.

[^{F17}(12) In this regulation—

- (a) “qualifying premium” means any premium which at the date of claim is payable periodically in respect of a retirement annuity contract or a personal pension scheme;]

^{F18}(b)

[^{F19}(13) The amount in respect of any qualifying premium shall be calculated by multiplying the daily amount of the qualifying premium by the number equal to the number of days in the assessment period; and for the purposes of this regulation the daily amount of the qualifying premium shall be determined—

- (a) where the qualifying premium is payable monthly, by multiplying the amount of the qualifying premium by 12 and dividing the product by 365;
- (b) in any other case, by dividing the amount of the qualifying premium by the number equal to the number of days in the period to which the qualifying premium relates.]

Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to The Family Credit (General) Regulations 1987. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

Textual Amendments

- F1** Words in reg. 22(1)(b)(ii) substituted (12.4.1994) by The Income-related [Benefits Schemes \(Miscellaneous Amendments\) Regulations 1994 \(S.I. 1994/527\)](#), regs. 1(1)(c), 19(2)
- F2** Words in reg. 22(3) inserted (5.12.1988) by Family Credit (General) Amendment No. 4 Regulations 1988 ([S.I. 1988/1970](#)), reg. 1(1), 6(a)
- F3** Words in reg. 22(3) substituted (5.12.1988) by Family Credit (General) Amendment No. 4 Regulations 1988 ([S.I. 1988/1970](#)), reg. 1(1), 6(a)
- F4** Words in reg. 22(3)(c) substituted (12.4.1994) by The Income-related [Benefits Schemes \(Miscellaneous Amendments\) Regulations 1994 \(S.I. 1994/527\)](#), regs. 1(1)(c), 19(2)
- F5** Reg. 22(3A) inserted (5.12.1988) by Family Credit (General) Amendment No. 4 Regulations 1988 ([S.I. 1988/1970](#)), reg. 1(1), 6(b)
- F6** Words in reg. 22(3A)(c) substituted (12.4.1994) by The Income-related [Benefits Schemes \(Miscellaneous Amendments\) Regulations 1994 \(S.I. 1994/527\)](#), regs. 1(1)(c), 19(2)
- F7** Words in reg. 22(4) inserted (5.12.1988) by Family Credit (General) Amendment No. 4 Regulations 1988 ([S.I. 1988/1970](#)), reg. 1(1), 6(c)
- F8** Words in reg. 22(4) substituted (5.12.1988) by Family Credit (General) Amendment No. 4 Regulations 1988 ([S.I. 1988/1970](#)), reg. 1(1), 6(c)
- F9** Reg. 22(4A) inserted (5.12.1988) by Family Credit (General) Amendment No. 4 Regulations 1988 ([S.I. 1988/1970](#)), reg. 1(1), 6(d)
- F10** Words in reg. 22(5) substituted (5.12.1988) by Family Credit (General) Amendment No. 4 Regulations 1988 ([S.I. 1988/1970](#)), reg. 1(1), 6(e)
- F11** Words in reg. 22(6) substituted (5.12.1988) by Family Credit (General) Amendment No. 4 Regulations 1988 ([S.I. 1988/1970](#)), reg. 1(1), 6(e)
- F12** Words in [reg. 22\(7\)](#) substituted (5.10.1999) by [The Tax Credits Schemes \(Miscellaneous Amendments\) Regulations 1999 \(S.I. 1999/2487\)](#), regs. 1(1), **26(5)**, (6)(a)
- F13** Words in reg. 22(7) substituted (5.12.1988) by Family Credit (General) Amendment No. 4 Regulations 1988 ([S.I. 1988/1970](#)), reg. 1(1), 6(e)
- F14** Words in reg. 22(8) substituted (5.12.1988) by Family Credit (General) Amendment No. 4 Regulations 1988 ([S.I. 1988/1970](#)), reg. 1(1), 6(e)
- F15** Words in reg. 22(9)(b) substituted (12.4.1994) by The Income-related [Benefits Schemes \(Miscellaneous Amendments\) Regulations 1994 \(S.I. 1994/527\)](#), regs. 1(1)(c), 19(2)
- F16** Reg. 22(10) substituted (5.12.1988) by Family Credit (General) Amendment No. 4 Regulations 1988 ([S.I. 1988/1970](#)), reg. 1(1), 6(f)
- F17** Words in reg. 22(12) substituted (12.4.1994) by The Income-related [Benefits Schemes \(Miscellaneous Amendments\) Regulations 1994 \(S.I. 1994/527\)](#), regs. 1(1)(c), 19(3)
- F18** Words in reg. 22(12) omitted (with effect in accordance with reg. 1(3) of the amending S.I.) by virtue of [The Income-related Benefits Schemes and Social Security \(Claims and Payments\) \(Miscellaneous Amendments\) Regulations 1995 \(S.I. 1995/2303\)](#), regs. 1(1)(b), **4(3)**
- F19** Reg. 22(13) added (12.4.1994) by The Income-related [Benefits Schemes \(Miscellaneous Amendments\) Regulations 1994 \(S.I. 1994/527\)](#), **regs. 1(1)(c), 19(4)**

Marginal Citations

- M1** [S.I. 1975/529](#).

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Changes and effects yet to be applied to the whole Instrument associated Parts and Chapters:

Whole provisions yet to be inserted into this Instrument (including any effects on those provisions):

- Regs S.49A added by [S.I. 1996/1418 reg.2](#)
- regs.13A(2)21A(2) amended by [S.I. 1997/2793 reg.2\(5\)\(c\)](#)