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2021 Budget Review



Chancellor Rishi Sunak presented his second Budget to the House of Commons on 3 March. This newsletter reports on the key announcements and recent measures most likely to affect your business and personal finances. For further advice, please contact us.

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Duties

Alcohol and tobacco duties

The duty rates remain frozen for beer, spirits, wine and made-wine, still and sparkling cider and perry.

The duty rate on all tobacco products has also been frozen.

Fuel duty



Fuel duty will be frozen for the 2021/22 tax year.

Sunak sets out Budget to protect businesses

Chancellor Rishi Sunak set out a Budget to protect businesses through the pandemic, fix the public finances and begin building the future economy.

The Chancellor once again pledged to do 'whatever it takes' during the COVID-19 pandemic and confirmed that the furlough scheme would be extended until September to support jobs through the crisis.

Mr Sunak also confirmed that the Self-Employment Income Support Scheme (SEISS) has also been extended, with two further grants this year. Claimable by the self-employed who have filed their tax return for 2019/20 by midnight on 2 March 2021, which should include the newly self-employed from 6 April 2019 provided they have filed their 2019/20 tax return.

The stamp duty nil rate band on residential properties in England up to £500,000 will continue until the end of June. It will taper to £250,000 until the end of September, and then return to the usual level of £125,000 from 1 October.

Citing the latest economic forecasts from the Office for Budget Responsibility (OBR), Mr Sunak said the economy is predicted to grow by 4% this year and by 7.3% in 2022. However, despite further growth predicted for the following three years, the economy will still be 3% smaller in five years' time than it would have been if the pandemic had not hit the economy.



To support businesses as they re-open following lockdown, £5 billion will be made available in restart grants. Non-essential retail businesses re-opening first will be eligible for up to £6,000 but the leisure and hospitality sectors, which have been worse affected and will re-open later, will be eligible for up to £18,000.

Hospitality and leisure businesses will also pay no business rates for the next three months, then rates will be discounted for the remaining nine months of the year.

However, the rate of corporation tax will increase to 25% in April 2023 for companies with profits over £250,000, whilst retaining a Small Profits Rate of 19% for companies with profits of £50,000 or less.

Turning to duties, tax on beer, wine, cider and spirits has been frozen while fuel duty will also remain frozen for an 11th consecutive year.

Mr Sunak also introduced green measures, including a new national infrastructure bank, which will open in Leeds with £12 billion capitalisation from the government, which will also offer a green retail savings product.

He also confirmed the location of the eight Freeports in England. Freeports are special economic zones with favourable tariffs and lower taxes to make it easier and cheaper to do business.

Business tax

Corporation tax rates

The main rate of corporation tax is currently 19% and it will remain at that rate until 1 April 2023 when the rate will increase to 25% for companies with profits over £250,000. The 19% rate will become a small profits rate payable by companies with profits of £50,000 or less and companies with profits between £50,000 and £250,000 will pay tax at the main rate reduced by a marginal relief providing a gradual increase in the effective corporation tax rate.

Coronavirus loan schemes

In 2020, the government introduced a number of government-guaranteed coronavirus loan schemes. The Bounce Back Loan Scheme, Coronavirus Business Interruption Loan Scheme, and the Coronavirus Large Business Interruption Loan Scheme will be accessible until the end of March 2021.

Budget 2021 announced a new loan scheme to be introduced to replace those coming to an end.

From 6 April 2021 the Recovery Loan Scheme will provide lenders with a guarantee of 80% on eligible loans between £25,000 and £10 million to give them confidence in continuing to provide finance to UK businesses. The scheme will be open to all businesses, including those who have already received support under the existing COVID-19 guaranteed loan schemes.

Restart Grants

In addition Restart Grants will be provided in England of up to £6,000 per premises for non-essential retail businesses and up to £18,000 per premises for hospitality, accommodation, leisure, personal care and gym businesses.

Self-employment Income Support Scheme (SEISS)

Budget 2021 has confirmed details of a fourth grant. This will be 80% of three months' average trading profits to be claimed from late April 2021. Payment will be in a single instalment and capped at £7,500 in total and will cover the period February to April 2021. The scheme has been extended to those who have filed a 2019/20 self assessment tax return prior to 3 March 2021. This means that newly self-employed from April 2019 now qualify subject to satisfying the other conditions.

A fifth and final grant was announced and can be claimed from late July 2021 to cover the period May to September 2021. This grant will be determined by a turnover test.

Business rates

In a Scottish Budget update statement on 16 February, the Scottish Government proposed an extension to the relief for the retail, hospitality, leisure and aviation sectors until 31 March 2022.

The Chancellor has now announced a continuation of 100% business rates relief for eligible retail, hospitality and leisure properties in England to 30 June 2021. This will be followed by 66% business rates relief for the period from 1 July 2021 to 31 March 2022, capped at £2 million per business for properties that were required to be closed on 5 January 2021, or £105,000 per business for other eligible properties.

Reduced VAT rate for hospitality sector

In July 2020, the government introduced a temporary 5% reduced rate of VAT for certain supplies of hospitality, hotel and holiday

accommodation and admissions to certain attractions. In September 2020 the Chancellor extended the reduced rate to 31 March 2021. The government has now announced an extension of the reduced rate until 30 September 2021. To help businesses manage the transition back to the standard 20% rate, a 12.5% rate will apply for the subsequent six months until 31 March 2022.

Tax Losses

A temporary extension of the period over which businesses may carry trading losses back for relief against profits of earlier years to get a repayment of tax paid will have effect for company accounting periods ending in the period 1 April 2020 to 31 March 2022 and for tax years 2020/21 and 2021/22 for unincorporated businesses.

Trade loss carry back will be extended from the current one year entitlement to a period of three years, with losses being carried back against later years first.

For companies, after carry back to the preceding year, a maximum of £2,000,000 of unused losses will be available for carry back against profits of the same trade to the earlier two years.

This £2,000,000 limit applies separately to the unused losses of each 12 month period within the duration of the extension.

For individuals a separate £2,000,000 cap will apply to the extended carry back of losses made in each of the tax years 2020/21 and 2021/22.

The £2,000,000 limit applies separately to the unused losses of each tax year within the duration of the extension. Income Tax payers will not be subject to a partnership-level limit.

Super Deduction

Between 1 April 2021 and 31 March 2023, companies investing in qualifying new plant and machinery will benefit from new first-year capital allowances.

Under this measure a company will be allowed to claim:

- a super-deduction providing allowances of 130% on most new plant and machinery investments that ordinarily qualify for 18% main rate writing down allowances
- a first year allowance of 50% on most new plant and machinery investments that ordinarily qualify for 6% special rate writing down allowances.

This relief is not available for unincorporated businesses.

Freeports

In 2020 the government consulted on proposals to create up to ten Freeports across the UK. A UK Freeport will be a geographical area with a diameter up to 45km which is closely linked to a sea port, airport or rail port. East Midlands Airport, Felixstowe & Harwich, Humber, Liverpool City Region, Plymouth and South Devon, Solent, Teesside and Thames have been successful in the Freeports bidding process for England.

The government is now proposing a range of measures covering customs, tax reliefs, planning, regeneration funding, and innovation to create Freeports as national hubs for global trade and investment across the UK.



National Insurance

2021/22 Class 1 (employed) rates

| Employee | | Employer | |
|-------------------|----|-------------------|------|
| Earnings per week | % | Earnings per week | % |
| Up to £184 | 0 | Up to £170 | 0 |
| £184.01 - £967 | 12 | Over £170 | 13.8 |
| Over £967 | 2 | | |

Entitlement to contribution-based benefits for employees retained for earnings between £120 and £184 per week. The employer rate is 0% for employees under 21 and apprentices under 25 on earnings up to £967 per week.

| | | |
|--------------------------------|-------------------------------------|------------------|
| Class 1A (employers) | On employee taxable benefits | 13.8% |
| Class 1B (employers) | On PAYE Settlement Agreements | 13.8% |
| Class 2 (self-employed) | Flat rate per week | £3.05 |
| | Small profits threshold | £6,515 per annum |
| Class 3 (voluntary) | Flat rate per week | £15.40 |
| Class 4 (self-employed) | On profits between £9,568 - £50,270 | 9% |
| | Excess over £50,270 | 2% |

What They Said...

'We need a real commitment to give every business, large or small, the opportunity to grow, innovate and succeed. This future economy won't be created in any one Budget, but today we lay the foundations.'

Rishi Sunak, Chancellor of the Exchequer

'We needed a Budget to fix our economy... to build a more secure and prosperous economy for the future. Instead we got a Budget that papered over the cracks rather than rebuilding the foundations.'

Keir Starmer, Leader of the Labour Party

'The Chancellor has gone above and beyond to protect UK businesses and people's livelihoods through the crisis and get firms spending.'

Tony Danker, Director General of the Confederation of British Industry

Employment measures

Further extension of the CJRS

In Budget 2021 the Chancellor has further extended the Coronavirus Job Retention Scheme (CJRS) scheme to 30 September 2021.

The level of grant available to employers under the scheme will stay the same until 30 June 2021.

From 1 July 2021, the level of grant will be reduced and employers will be asked to contribute towards the cost of furloughed employees' wages. To be eligible for the grant an employer must continue to pay furloughed employees 80% of their wages, up to a cap of £2,500 per month for the time they spend on furlough.

The reduction in the level of the grant means that the percentage recovery of furloughed wages will be as follows:

- for July 2021 70% of furloughed wages up to a maximum of £2187.50 and
- for August and September 2021 60% of furloughed wages up to a maximum of £1,875.00.

Employers will need to continue to fund employer NICs and mandatory minimum automatic enrolment pension contributions.

Minimum Wage

Increases in the National Minimum Wage and National Living Wage rates occur in April each year.

| Age | NLW | 21 - 22 | 18 - 20 | 16 and 17 | Apprentice |
|-------------------|-------|---------|---------|-----------|------------|
| From 1 April 2021 | £8.91 | £8.36 | £6.56 | £4.62 | £4.30 |

Apprentice rates apply to those under 19, or 19 or over and in the first year of their apprenticeship.

Apprenticeships and traineeships

The government will provide an additional £126 million in England for high quality work placements and training for 16-24 year olds in the 2021/22 academic year. Employers who provide trainees with work experience will continue to be funded at a rate of £1,000 per trainee.

Payments for employers who hire new apprentices

The government will extend and increase the payments made to employers in England who hire new apprentices. Employers who hire a new apprentice between 1 April 2021 and 30 September 2021 will receive £3,000 per new hire, compared with £1,500 per new apprentice hire (or £2,000 for those aged 24 and under) under the previous scheme.



This is in addition to the existing £1,000 payment the government provides for all new 16-18 year-old apprentices and those aged under 25 with an Education, Health and Care Plan, where that applies.

Supporting apprenticeships across different employers

The government will introduce a £7 million fund from July 2021 to help employers in England set up and expand portable apprenticeships. This will enable people who need to work across multiple projects with different employers to benefit from the high quality long-term training that an apprenticeship provides.

Income Tax and Personal Savings

Income tax rates and bands

| 2021/22 | | 2020/21 | |
|------------------|--------|------------------|--------|
| Band £ | Rate % | Band £ | Rate % |
| 0 - 37,700 | 20 | 0 - 37,500 | 20 |
| 37,701 - 150,000 | 40 | 37,501 - 150,000 | 40 |
| Over 150,000 | 45 | Over 150,000 | 45 |

Income tax rates in Scotland and Wales on income other than savings and dividend income have been devolved.

Savings income

| | 2021/22 | 2020/21 |
|-------------------------------|---------|---------|
| Savings allowance basic rate | £1,000 | £1,000 |
| Savings allowance higher rate | £500 | £500 |

A starting rate for savings band of £5,000 at 0% may be available unless taxable non-savings income exceeds the starting rate band.

Dividend income

| | 2021/22 | 2020/21 |
|--------------------------|---------|---------|
| Dividend allowance | £2,000 | £2,000 |
| Dividend ordinary rate | 7.5% | 7.5% |
| Dividend upper rate | 32.5% | 32.5% |
| Dividend additional rate | 38.1% | 38.1% |

Personal allowances

| | 2021/22 | 2020/21 |
|--|----------|----------|
| Personal allowance | £12,570 | £12,500 |
| Personal allowance income limit | £100,000 | £100,000 |
| Marriage allowance Transferable between certain spouses where neither pay tax above the basic rate | £1,260 | £1,250 |
| Married couple's allowance (relief given at 10%) Either partner born before 6 April 1935 | £9,125 | £9,075 |
| • minimum amount | £3,530 | £3,510 |
| • income limit | £30,400 | £30,200 |
| Blind person's allowance | £2,520 | £2,500 |

Scottish income tax rates and bands

Savings and dividend income are taxed using UK rates and bands.

| 2021/22 | | 2020/21 | |
|------------------|--------|------------------|--------|
| Band £ | Rate % | Band £ | Rate % |
| 0 - 2,097 | 19 | 0 - 2,085 | 19 |
| 2,098 - 12,726 | 20 | 2,086 - 12,658 | 20 |
| 12,727 - 31,092 | 21 | 12,659 - 30,930 | 21 |
| 31,093 - 150,000 | 41 | 30,931 - 150,000 | 41 |
| Over £150,000 | 46 | Over 150,000 | 46 |

Welsh income tax rates

Although income tax for Wales has been devolved, Welsh resident taxpayers continue to pay the same overall rates as taxpayers in England and Northern Ireland.

Other Matters

Land and buildings transaction taxes

Land and buildings transaction taxes are devolved to Scotland (Land and Buildings Transaction Tax) and Wales (Land Transaction Tax). Stamp Duty Land Tax (SDLT) applies to transactions in England and Northern Ireland. All these taxes have had a temporary increase in the nil rate threshold for residential properties. The thresholds were set to return to the previous thresholds from 1 April 2021.



Budget announcement

The government will extend the temporary increase to the SDLT nil rate band for residential property in England and Northern Ireland to 30 June 2021. From 1 July 2021 until 30 September 2021, the nil rate band will be £250,000. The nil rate band will return to the standard amount of £125,000 from 1 October 2021.

Wales – Land Transaction Tax

Following the Chancellor's announcement, the Welsh Finance Minister has confirmed that the Land Transaction Tax temporary reduction period will be extended by a further 3 months so that it will end on 30 June 2021.

Universal Credit

Universal Credit is a single payment that is made up of different amounts depending on an individual's circumstances. There is no entitlement if an individual's capital is worth more than £16,000. Shortly after the 2020 Budget the Chancellor announced an increase in the Universal Credit standard allowance by £20 per week for one year.

The government is extending the temporary £20 per week increase for a further six months.

Working Tax Credit

The government is making a one-off payment of £500 to eligible Working Tax Credit claimants to provide extra support over the next six months.

Mortgage guarantee scheme

The government will introduce a new mortgage guarantee scheme in April 2021. This scheme will provide a guarantee to lenders across the UK who offer mortgages to people with a deposit of 5% on homes with a value of up to £600,000.

Under the scheme, all buyers will have the opportunity to fix their initial mortgage interest rate for at least five years should they wish to. The scheme, which will be available for new mortgages up to 31 December 2022, is designed to increase the availability of mortgages on new or existing properties for those with small deposits.