

2021 Budget - Behind The Headlines

Stephen Leonard - Winders Accountants



2021 Budget Background

- ▶ Budget originally scheduled for October 2020
- ▶ Postponed due to COVID Pandemic and increase in infections in Autumn 2020
- ▶ Titled - 'Protecting the jobs and livelihoods of the British People'
- ▶ Focused on Support & Recovery for the economy rather than how to 'pay'
- ▶ Govt manifesto pledge not to increase Income Tax, VAT or National Insurance
- ▶ 'Tax Day' is 23rd March 2021 - Govt will publish a series of consultations for the public, business and tax professionals to respond to
- ▶ These consultations will include subjects such as CGT, IHT, Pensions
- ▶ Next budget is Autumn 2021 after the economy is fully open
- ▶ Likely to see the 'how to pay' measures introduced from 2022 onwards
- ▶ Announcements on Budget day will be followed with further details and also could be subject to change in when the Finance Act is finally voted on
- ▶ Policies could change if COVID pandemic roadmap changes

Contents

- ▶ Coronavirus Job Retention Scheme (Furlough)
- ▶ Self Employed Income Support Scheme
- ▶ Business Rates
- ▶ Restart Grants
- ▶ Stamp Duty and Mortgage Guarantee Scheme
- ▶ Corporation Tax
- ▶ Super Deduction & Capital Allowances
- ▶ 3 Year Loss Carry Back
- ▶ VAT
- ▶ Income Tax & National Insurance
- ▶ Capital Gains & Inheritance Tax
- ▶ Other Policies

Coronavirus Job Retention Scheme (Furlough)

- ▶ Current Scheme set to end on 30th April 2021
- ▶ Extended to 30th September 2021
- ▶ From 1st May more employees qualify if details were on an RTI payroll submission between 20th March 2020 and 2nd March 2021
- ▶ Employees will receive 80% throughout the period for Furloughed hours up to maximum of £2500 per month - all funded by Govt to 30th June 2021
- ▶ Employers have to pay National Insurance and Pension costs throughout
- ▶ From 1st July Govt will pay 70% of furlough cost - employer will pay 10%
- ▶ From 1st August Govt will pay 60% of furlough cost - employer will pay 20%
- ▶ Job Retention bonus of £1000 per employee retained has been scrapped
- ▶ HMRC now actively investigated fraud - 27000 employers contacted already
- ▶ Details of Employers and bands of amount claimed now being published
- ▶ Employees personal tax accounts will show if employer has claimed for them

Furlough Scheme Cost to Employer- May to September

CJRS Furlough Extended to 30 September 2021

	May and June	July	August and September
Govt. wages Contribution	80% of pay up to £2,500	70% of pay up to £2,187.50	60% of pay up to £1,875
Govt. pays NIC and pension	No	No	No
Employer pays wages – up to 80%	Nil	10% of pay up to £312.50	20% of pay up to £625
Employee receives pay	80% of pay up to £2,500	80% of pay up to £2,500	80% of pay up to £2,500

Self Employed Income Support Scheme

- ▶ 3 Grants already paid - last one was for November to January 2021
- ▶ 2 Further Grants will be available
- ▶ 4th Grant Covering Feb - Apr - Opens Mid/Late April 2021
 - ▶ Will be worth 3 months average trading profits - maximum of £7500
 - ▶ Must have filed a 2019/20 Tax return before budget day
 - ▶ Will enable those who started S/E in 2019/20 to 'possibly' qualify - but might mean some who claimed first 3 grants are not eligible or get more or less than earlier grants
 - ▶ All other eligibility criteria will remain as per the 3rd Grant but now based on the 19/20 income details and the average for the 2016/17 to 2019/20 years
 - ▶ Less than £50000 average income
 - ▶ Not less than 50% of income from self employment
 - ▶ Averages are calculated using 12 months not the actual months you were self employed
 - ▶ Requires an impact on income from Coronavirus in the period which leads to a significant reduction in profit - not just an increase in costs

Self Employed Income Support Scheme

- ▶ 5th Grant Covering May to Sept - Opens Mid/Late July 2021
 - ▶ Will be worth **THREE** months average trading profits - therefore between April 2020 and September 2021 (18 months) the grants would only be for 15 months average profits (If you qualified for them all)
 - ▶ All other criteria for claiming 4th Grant will apply **PLUS**
 - ▶ An Additional 'Turnover' test will be applied
 - ▶ If turnover has decreased by at least 30% then the full grant of 80% of average profits will be paid - subject to a maximum of £7500
 - ▶ If turnover has decreased by less than 30% then a grant of 30% of average profits will be paid - subject to a maximum of £2850
 - ▶ Govt have not yet released the details of what period the Turnover test will be applied to
 - ▶ Anticipated that the number of claimants for this grant will be much lower!
- ▶ For both grants the following apply
 - ▶ Will be taxable in year of receipt (2021/22) as trading income
 - ▶ Final details still to be announced and those eligible will be contacted by HMRC

Business rates

- ▶ 2020/21 Business rates relief at 100% was given to eligible businesses in
 - ▶ Retail - Hospitality - Leisure
- ▶ 2021/22 Business rates relief will be given to the same businesses as follows
 - ▶ 100% for April to June 2021
 - ▶ 66% for July 2021 to 31st March 2022
 - ▶ Capped at £2m for properties mandated to close on 5th January 2021 or £105,000 for other eligible businesses
 - ▶ Nurseries will also qualify for this relief
 - ▶ Small business rate relief will also still apply to eligible businesses
- ▶ Rates bills will automatically be amended to reflect these reliefs - any already issued will be revised and new ones issued by your local authority
- ▶ Any business who 'repaid' their rates relief will be allowed a tax deduction
- ▶ Currently a consultation about the future of Non Domestic Rates and how it should work in the future - no date for any findings to be published or implemented

Restart Grants

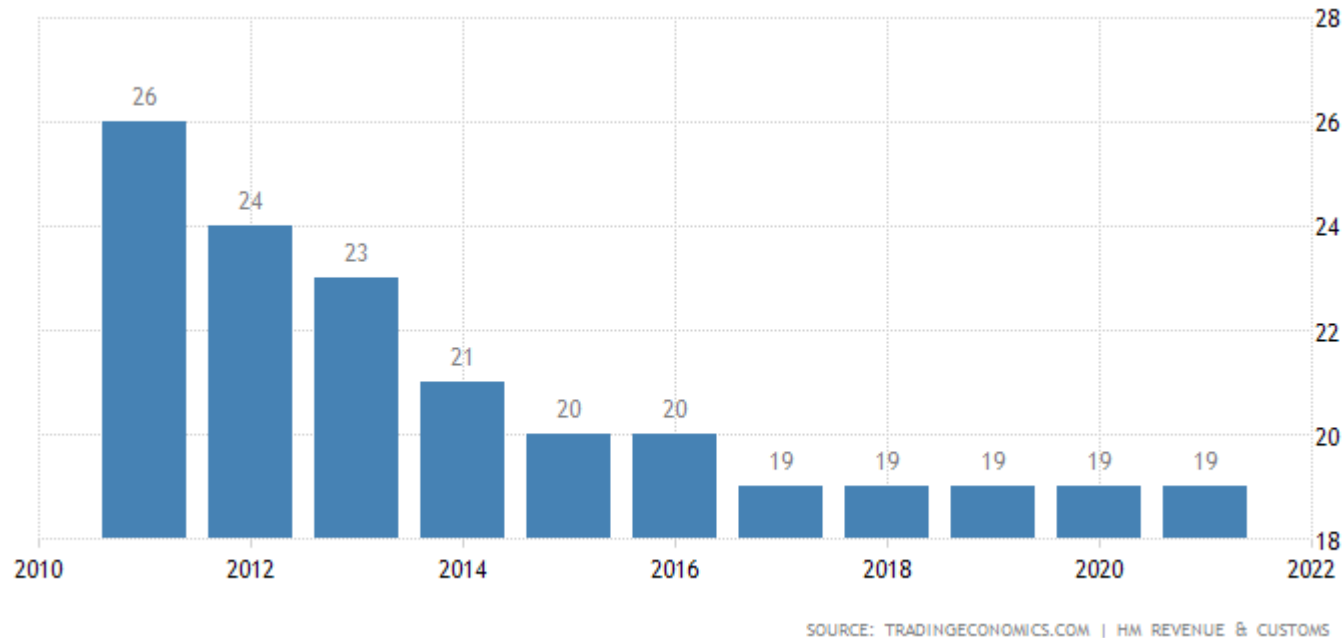
- ▶ Restart Grants will be paid to certain businesses to help them reopen after the end of the current lockdown - different dates apply for different sectors.
 - ▶ Non Essential retail may get up to £6000
 - ▶ The following may get up to £18000
 - ▶ Hospitality
 - ▶ Accommodation
 - ▶ Leisure
 - ▶ Personal Care
 - ▶ Gyms
 - ▶ Anticipated that these will be paid out by Local Authorities to qualifying businesses - not clear yet if it will require an application or direct payment based on previous claims and information held re business rates
- ▶ Further discretionary grants will be available for those who don't qualify for the Restart grants.
 - ▶ Again expected to be paid by Local Authorities to existing and new claimants of the Additional Restrictions Grants
- ▶ All grants are taxable under either Corporation or Income tax and will need to be included in trading profits. They are not subject to VAT
- ▶ Further information will be published about specific criteria and timescales for these grants
- ▶ Keep looking at Local Authority websites and social media

Stamp Duty and Mortgage Guarantee Scheme

- ▶ Stamp Duty thresholds were temporarily increased from £125k to £500k
 - ▶ Was due to end on 31st March 2021 - now extended to 30th June 2021
 - ▶ Threshold will fall on 1st July to £250k until 30th Sept 2021 when it returns to £125k
- ▶ Mortgage Guarantee Scheme
 - ▶ To be introduced in April 2021 - Many of the big lenders have signed up
 - ▶ Provides a guarantee to lenders who provide a 95% mortgage on homes up to £600k
 - ▶ Guarantee covers the portion of the mortgage over 80%
 - ▶ Similar to the Help to Buy scheme from a few years ago
 - ▶ Lenders have to offer some products with rates fixed for 5+ years
 - ▶ For repayment mortgages only (Interest only is not eligible)
 - ▶ Will run to 31st December 2022
 - ▶ During the pandemic the number of 95% mortgages on offer has fallen from 391 to just 3
 - ▶ No details yet of the interest rates & fees attached to these mortgages

Corporation Tax

- ▶ Current rate of corporation tax is 19% for companies of all sizes
- ▶ Announced by George Osbourne in 2016 that the plan was to reduce it to 15%
- ▶ Historical rates were 26%+ for the main rate with smaller companies getting relief under £300,000 profits



- ▶ Main Rate will remain at 19% until 1st April 2023 then increase to 25%

Corporation Tax

- ▶ A small profits rate of 19% will remain for companies with profits under £50k
- ▶ Marginal rate relief will be available for companies with profits between £50,001 and £249,999 to reduce the impact of the main rate.
- ▶ Marginal rate, on profits between the 2 thresholds, is 26.5%
- ▶ Thresholds will be affected by 'Associated Companies'
 - ▶ Associated Companies include
 - ▶ 51% Subsidiaries
 - ▶ Non Group companies under common control
 - ▶ Holding Companies may be ignored in calculating numbers
 - ▶ Can get quite complicated with certain Company Structures!
 - ▶ £50k and £250k limits are divided by total number of Associated Companies
 - ▶ i.e. 2 companies - thresholds become £25k and £125k each
 - ▶ Will mean that some company structures need to be reviewed before April 2023
- ▶ R&D SME tax credit (14.5% of a surrendered loss due to R&D)
 - ▶ Will now be limited to £20,000 + 3 times the amount of PAYE/NIC paid in the year by the company
 - ▶ Starts 1st April 2021

Corporation Tax Comparisons

Single Company	Current	From 1st April 2023			
Profits	19% Tax	Tax Due	Effective Rate	Increase	
£25,000	£4,750	£4,750	19.00%	£0	
£50,000	£9,500	£9,500	19.00%	£0	
£75,000	£14,250	£16,125	21.50%	£1,875	
£100,000	£19,000	£22,750	22.75%	£3,750	
£125,000	£23,750	£29,375	23.50%	£5,625	
£150,000	£28,500	£36,000	24.00%	£7,500	
£175,000	£33,250	£42,625	24.36%	£9,375	
£200,000	£38,000	£49,250	24.63%	£11,250	
£225,000	£42,750	£55,875	24.83%	£13,125	
£250,000	£47,500	£62,500	25.00%	£15,000	
£300,000	£57,000	£75,000	25.00%	£18,000	
£325,000	£61,750	£81,250	25.00%	£19,500	
£350,000	£66,500	£87,500	25.00%	£21,000	
£375,000	£71,250	£93,750	25.00%	£22,500	

Additional Tax with 2 Associated Companies

Company 1	Company 2	Total	Company 1	Company 2	Total	Extra	Extra Non	Diff Due
Profits		Tax @ 19%	Tax @ New Rates			Tax	Associated	to Assoc
£50,000	£50,000	£19,000	£11,375	£11,375	£22,750	£3,750	£0	£3,750
£100,000	£50,000	£28,500	£24,625	£11,375	£36,000	£7,500	£3,750	£3,750
£150,000	£50,000	£38,000	£37,500	£11,375	£48,875	£10,875	£7,500	£3,375
£200,000	£50,000	£47,500	£50,000	£11,375	£61,375	£13,875	£11,250	£2,625
£250,000	£50,000	£57,000	£62,500	£11,375	£73,875	£16,875	£15,000	£1,875

Super Deduction & Capital Allowances

- ▶ 130% First Year Capital Allowance on qualifying expenditure
 - ▶ Only available for companies (not sole traders, partnerships or LLP's)
 - ▶ Starts on 1st April 2021 and ends 31st March 2023
 - ▶ £100k spent on capital will see profits (not tax) reduced by £130k
 - ▶ No upper limit on amounts claimed
 - ▶ Policy will provide bigger benefit for larger companies as currently 100% Annual Investment Allowance (AIA) is only for first £1m which is adequate for many SME's
 - ▶ Full details including any transitional rules will be published in finance act
- ▶ Special Rate Pool items will benefit from 50% First Year allowance instead of normal 6% (includes integral features, long life assets and certain cars)
- ▶ £1m limit for AIA has been extended to 31st December 2021 - (This is for all businesses including sole traders, partnerships and LLP's)
- ▶ Capital Allowances on Cars & Lease Cost Restrictions
 - ▶ **100%** FYA if Co2 emissions are ZERO - **18%** if under 50g/km - **6%** > 50g/km -
 - ▶ 15% disallowance of Car lease costs if Co2 is over 50g/km

3 Year Loss Carry Back

- ▶ Currently a trading loss for both Corporation tax and income tax can be used
 - ▶ To offset against certain other income and gains in the same year
 - ▶ Set back against certain income in the previous year
 - ▶ Carried forward to set against future trading profits
- ▶ For the 2020/21 & 2021/22 Tax years losses can now **also** be
 - ▶ Set back for up to 3 previous years
 - ▶ Maximum of £2m in each year
 - ▶ Groups of companies will be limited to £2m each year across the group **or**
 - ▶ Individual Group companies will be limited to £200k in each year with no overall Group limit
- ▶ Will help cashflow for business who suffered during 2020/21 and paid tax in previous 3 years
- ▶ Will need to consider if it is better to set back and get relief at 19% or carry forward for possible relief at 25% from 2023 when CT rates increase

VAT

- ▶ 12 month turnover threshold for registration will remain at £85k until at least 31st March 2024 - will mean more businesses end up having to register in future
- ▶ Deregistration threshold remains at £83k
- ▶ Reduced rate of VAT for hospitality, holiday accommodation and attractions
 - ▶ Will remain at 5% until 30th September 2021
 - ▶ Will then increase to 12.5% until 31st March 2022 when it will return to 20%
- ▶ VAT deferred during March to June 2020 can be paid in instalments to end of March 2022
 - ▶ To pay by instalments - Businesses **MUST APPLY** online before 21st June 2021
 - ▶ Agents cannot apply on their behalf
 - ▶ If no application made then VAT is due by 31st March 2021
- ▶ Main rate of 20% for VAT is unchanged under Govt manifesto pledge
- ▶ Making Tax Digital
 - ▶ Currently only Vat registered businesses over £85,000 must be in MTD
 - ▶ From 1st April 2022 **ALL VAT** registered businesses will need to be in MTD - will require transition to digital record keeping over the next 12 months
- ▶ Changes to late payments and late submissions penalties from 1st April 2022 - full details to be announced

Income Tax and National Insurance

- ▶ Increases from 6th April 2021 as follows
 - ▶ Personal Allowance - £12570 (from £12500) - 20% tax starts to be paid
 - ▶ Higher Rate Threshold - £50270 (from £50000) - 40% tax starts to be paid
 - ▶ Class 1 NIC Primary Threshold - £9570 (from £9516) - Employees pay NIC
 - ▶ Class 1 Secondary Threshold - £8840 (from £8788) - Employers pay NIC
 - ▶ Class 4 Profit Threshold - £9570 (from £9516) - Self Employed pay Class 4 NIC
 - ▶ Class 1 and Class 4 Upper limits - £50270 (from £50000)
 - ▶ Class 2 - £3.05pw (from £3pw) - Earnings Threshold £6515 (from £6475)
- ▶ The personal allowance and higher rate threshold will remain at these levels until April 2026
 - ▶ Will mean more people will end up paying some tax as their income goes above the personal allowance
 - ▶ Also more people will pay some higher rate tax.
 - ▶ These effects are called Fiscal Drag
- ▶ Could also lead to more people needing to pay the High Income Child Benefit Charge as this is linked to the Higher Rate threshold.
- ▶ The National Insurance thresholds and rates will be reviewed each year
- ▶ Dividends and saving rates and allowances remain unchanged from 6th April 2021 - will be reviewed each year

Capital Gains and Inheritance Tax

▶ Capital Gains Tax

- ▶ Annual Exemption frozen at £12,300 until April 2026 (Trust rate is £6,150)
- ▶ Rates unchanged at 18%/28% for residential property & 10%/20% for other disposals
 - ▶ 30 Day reporting and payment for residential property sales is unchanged
- ▶ No changes to Business Asset Disposal Relief (Entrepreneurs relief)
 - ▶ 10% Rate on up to £1m lifetime gains
 - ▶ 2 Year Ownership period

▶ Inheritance Tax

- ▶ Nil rate band frozen at £325,000 until April 2026
- ▶ Residence Nil rate band frozen at £175,000 until April 2026
 - ▶ Property must be passed to direct descendants
 - ▶ Tapered if total estate value is over £2 million
- ▶ No Changes to criteria for spousal exemption and transferable NIL rate bands
- ▶ No Changes to reliefs for Business Assets or revaluations on death

Capital Gains and Inheritance Tax

- ▶ **Consultations on future changes likely to be announced shortly!**
 - ▶ Possible changes being suggested by Office For Tax Simplification include
 - ▶ Alignment of CGT rates to income tax rates or a flat rate of 30%
 - ▶ Reduction in level of CGT Annual Exemption
 - ▶ Reduction or removal of Entrepreneurs relief or replacing with a new 'Retirement Relief' based on age
 - ▶ Extending the period of ownership to qualify for Entrepreneurs relief
 - ▶ Changes to some other reliefs - Hold Over/Rollover Relief
 - ▶ Tax charge on gifts in lifetime rather than when a person dies - currently can sometimes avoid tax if lives 7 years
 - ▶ Removing some of the reliefs or revaluations that occur for business assets when a person dies.
- ▶ **Seems certain that changes will be made in future years possibly from 2022**

Other Policies

- ▶ Applications for CBIL's and Bounce Back loans will close on 31st March 2021
 - ▶ Payments will begin to start in April 2021 (or 12 months after loan started)
 - ▶ Payment terms are mainly over 6 years but can be up to 10
 - ▶ Low fixed interest rate of 2.5% for Bounce Back Loans
- ▶ New Recovery Loan Scheme will start from 6th April 2021 up to 31st Dec 2021
 - ▶ Borrow between £25k & £10m
 - ▶ No details yet of the lenders or rates on offer
 - ▶ Can apply even if you have had the CBIL or Bounce Back Loans
 - ▶ 80% Guaranteed by Govt
- ▶ Universal Credit & Working Tax Credits
 - ▶ £20 per week uplift extended to 30th September 2021
 - ▶ Minimum Income floor suspension extended to 31st July 2021
 - ▶ £500 one off payment in April to Working Tax Credit recipients
 - ▶ WTC - If furloughed you will continue to be treated as working normal hours
- ▶ New Tax Checks on Business wanting certain licences
 - ▶ Taxi Drivers & Private Hire Drivers
 - ▶ Scrap Metal Dealers
- ▶ IR35 'Off Payroll Working' rules changes going ahead

Other Policies

- ▶ Funding available for work placements and apprenticeships
 - ▶ £1,000 per trainee for 16-24 years old's offered 'high quality' work placements and training - further details to follow
 - ▶ £3,000 per new apprentice employed between 1st April & 30th Sept 2021
 - ▶ Support for apprentices to work across multiple employers from July 2021
- ▶ Contactless Card Payment limit increased to £100
 - ▶ Will need banks and card providers to review and implement
- ▶ New Taxpayer Protection Taskforce of 1265 HMRC staff
 - ▶ Remit to combat fraud including
 - ▶ SEIS - Furlough - R&D Claims
- ▶ Pensions
 - ▶ Annual Contribution limit remains at £40,000
 - ▶ Lifetime Allowance - to remain at £1,073,100 until April 2026
- ▶ All duties on alcohol & fuel kept at the same level
- ▶ Car and Fuel benefits increased
 - ▶ Policy is being used to promote green cars
 - ▶ Cars with ZERO Co2 emissions 1% of list price increasing to 2% in 2022/23
 - ▶ Cars with emissions below 50g/km Co2 between 2% and 14% depending on range and age
 - ▶ 51-54 g/km Co2 - 15% BIK
 - ▶ Increase by 1% for each 5g/km Co2 to maximum of 37% at 160g/km and above

Any Questions??



For further information please contact us

01229 820390

info@winders.co.uk

www.winders.co.uk

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