

The Budget 2021



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Jennie Brown, Tax Partner



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Employees – CJRS Scheme Extended

- Furlough extended to September – covering 80% of hours not worked
- Employers expected to pay 10% contribution in July and 20% in August and September

Self- Employed – SEISS Grant Extended

- 4th Grant - covers Feb, March & April – Open from late April
80% of average monthly profits capped at £7,500
- 5th Grant - covers May, June & July– Open from July
80% of average monthly profits capped at £7,500 - Turnover fallen by 30% or more
30% of average profits capped at £2,850 - Turnover has fallen by less than 30%
- Good News - If a 2019/20 return has been submitted,
Grants 4 and 5 are available

Action to give people skills

- Kickstart Scheme – funding create placements 16-24 year olds on Universal Credit
- Lifetime Skills Guarantee - giving every adult the opportunity for a fully-funded Level 3 Qualification
- Incentive Payment increased to £3,000 for apprentice hires of all ages

Business Grants

- Restart Grant Scheme for shops and business forced to close

£6,000 per premises for non-essential outlets due to open in April

£18,000 for gyms and hospitality and leisure businesses

- Film and TV Production Restart Scheme - Extended until December 2021

Business Loans

- With the Bounce Back and CBIL schemes due to end, the Recovery Loan Scheme will take their place.
- Businesses can apply for loans from £25,000 to £10million through to the end of the year.

Further Support

- Help to Grow Scheme – providing digital and management tools to small and medium sized businesses
- 8 New Freeports - are special economic zones making it easier and cheaper to do business
 - East Midlands Airport
 - Felixstowe and Harwich
 - Humber region
 - Liverpool City Region
 - Plymouth
 - Solent
 - Thames
 - Teesside

Business Rates & VAT

- Business Rates Holiday extended to the end of June
- Remaining 9 months discounted by 2/3rds
- Hospitality sector 5% VAT rate – extended to 30 September 2021 and thereafter an interim rate of 12.5% until 31 March 2022

Stamp Duty Land Tax

- The SDLT holiday has been extended to 30th June 2021
- From 1 July 2021 the Nil Rate Band will reduce to £250,000
- From 1 October 2021 the Nil Rate Band will return to £125,000
- First time buyers can obtain 95% mortgages from next month

Taxation

- No changes to rates of Income Tax, National Insurance or VAT
- Personal Tax Allowance - Frozen at £12,570
- Basic Rate Band - Frozen at £37,700
- Higher rate income tax threshold frozen at £50,270

Frozen from the 2021/22 tax year until 2026

Inheritance Tax & Capital Gains Tax

Anticipated changes in this area did not happen...

- Inheritance Tax Threshold - £325,000 Rate of Tax - 40%
- Capital Gains Tax Allowance - £12,300 Rate of Tax 10%/20% or 18%/28% for Residential Property

Use this time to plan both IHT & CGT are under review

IR35; Off-Payroll Rules

- Come into force on 6 April 2021
- **The rules have not changed – the responsibility to review has:**
 - *End client responsible for assessment*
 - *Intermediary or Fee Payer responsible for application of tax*
- Small Companies Exempt – if it meets 2 of the following:

Turnover not exceeding £10.2m

Balance sheet not exceeding £5.1m

Not more than 50 employees

Employment Status

- Employment Status is as an area of HMRC focus
- Uber – Self-Employed successful in claiming workers rights
- Understanding your workforce is crucial

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Luke Prout, Corporate Tax Partner



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Increase in Corporation Tax

From 01 April 2023

- Will increase to 25% (Profits over £250,000)
- Remain at 19% (Profits below £50,000)
- Tapered 19-25% (Profits £50,001 - £250,000)
- Marginal relief is back
- Fraction $\frac{3}{200}$
- Marginal Rate 26.5%

Increase in Corporation Tax

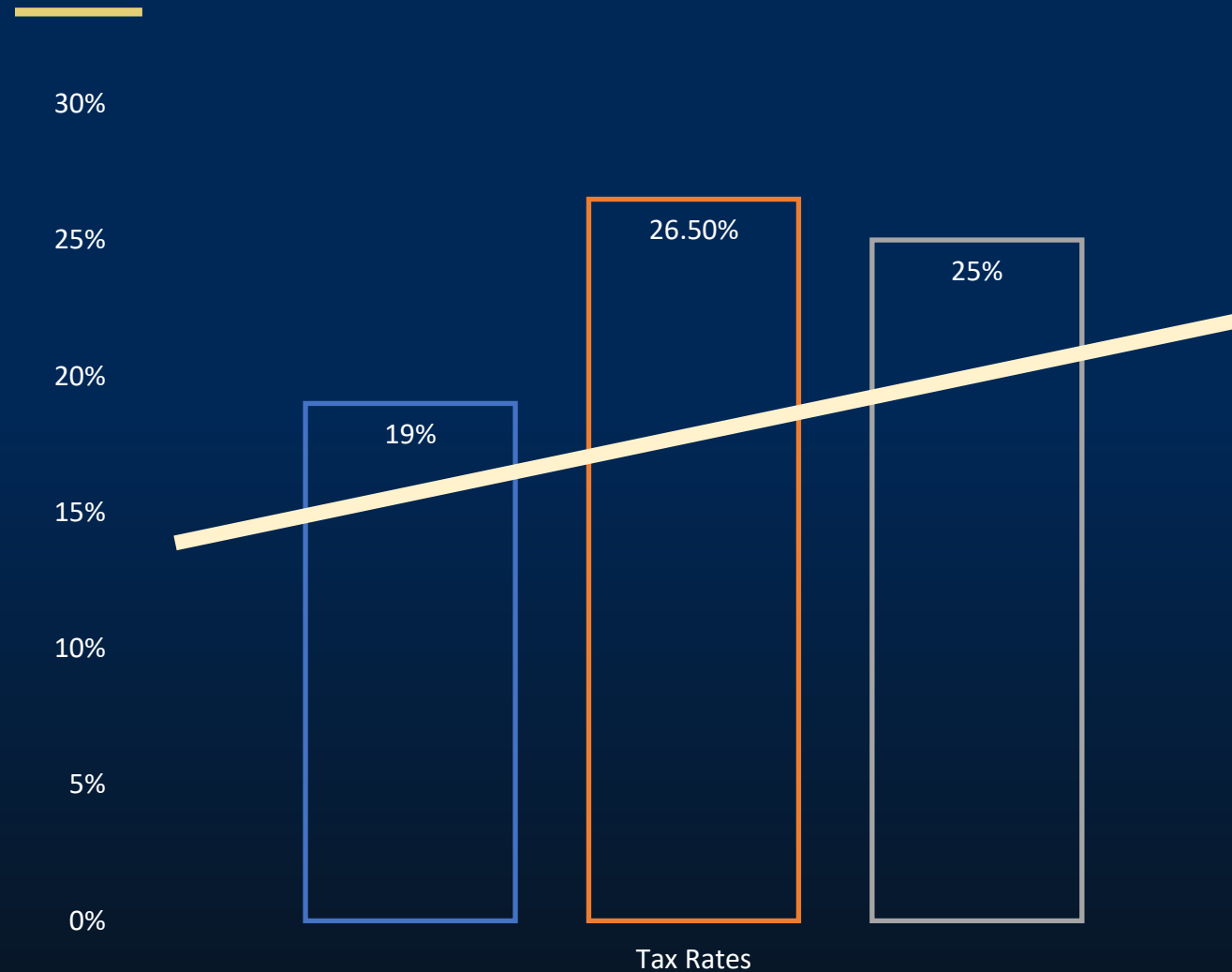
Option 1

	£
Profits	200,000
Tax at 25%	50,000
Less MR (250k-P) £50,000 x 3/200	(750)
Tax due	49,250
24.62%	

Option 2

	£
Profits	200,000
Tax at 19%	38,000
Tax at 26.50%	52,750
Tax due	49,250
24.62%	

Marginal rates explained



Lower Limit	£50,000	19%	£9,500
Upper Limit	£250,000	25%	£62,500
Marginal	£200,000		£53,000
Marginal rate		26.50%	

Super deductions and other temporary first year allowances

From 01 April 2021 to 31 March 2023

- Only available to companies
- Applies to plant and machinery and special rate items
- New assets only (not second hand)
- Not cars, connected persons, gifts, year of cessation
- Contracts entered on or after 03 March 2021

Super deduction – Plant and machinery

- 130% relief on expenditure
- No apportionment for periods straddling 01/04/2021
- Disposals – treated as receipts
- Before April 2023 130% must be paid back
- After only 100%
- Watch periods covering 01/04/2023 – 100% - 130%



Super deductions example

Factory installs production Line

- Cost in 2022 - £3.5M
- Tax relief Year 1 - $£3.5M \times 130\% \times 19\% = £864,500$
- Would have been - £275,500
- Real cash saving - £589,000

Special rate assets – 50%

- Hot/cold water systems, heating systems, lifts, electrical systems
- Currently 6% WDA
- Now 50% FYA
- AIA on the balance £1M
- Normal disposal rules apply
- ECA's was abolished from 2020, so some reprieve



Temporary extension of loss carry back

- AP ending between 01/04/2020 – 31/03/2020 – companies
- 2020/21 & 2021/22 for self employment and unincorporated businesses (not property losses)
- Cap £2,000,000 for both companies and unincorporated businesses
- £200,000 de-minimis for a company (claims made before filing the return)
- Claims must be made in tax returns
- HMRC will not repay until Finance Bill receives Royal Assent

Extensions to carry back of losses

Example - Company

Period	Loss	Profit	Taxable
31/12/2020	£250,000		
31/12/2019 – CY1	(£100,000)	£100,000	NIL
31/12/2018 – CY2	(£75,000)	£75,000	NIL
31/12/2017 – CY3	(£50,000)	£50,000	NIL

- Unused loss C/fwd - £25,000
- Tax refund £33,250

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Sam Tindale, Managing Director
Tower House Wealth Management



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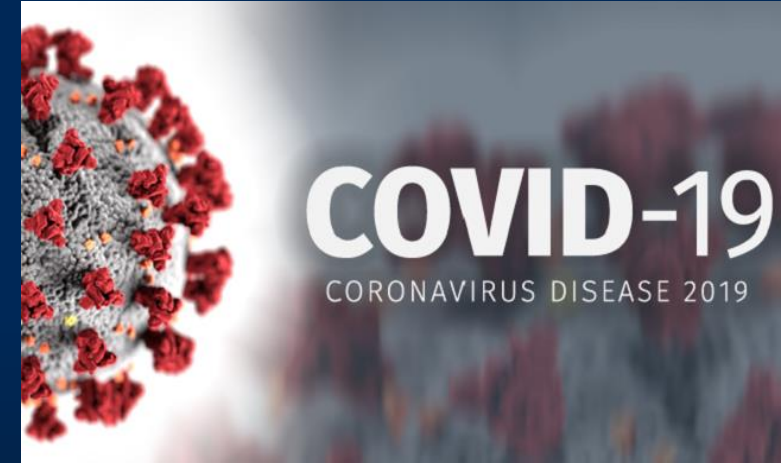
Financial Services

Brief Agenda

- Investment Markets 2020
- Budget outcome – What's changed?
- Budget outcome – What's not changed?
- Future risks
- Opportunities



Investment Markets 2020



Investment Markets



01/01/2020 - 31/12/2020 Data from FE fundinfo 2021



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What's Changed

Stealth Taxes

- LTA / IHT / CGT
- LTA - £250,000,000 raised alone
- £1,073,100
- Return of 5% Mortgages
- Widened pensions investment remit



What's Not Changed

- Annual Allowance - £40,000
- Corporation tax treatment of pensions
- Personal pension tax relief
- CGT rates
- IHT rates
- ISA Allowance £20,000 / JISA - £9,000



Future risks – No smoke without fire ..

The need to plan

- Annual property tax
- CGT increases
- Single rate tax relief
- Wealth tax



Opportunities

- Pension contributions since increasing the taper to £200,000
- ISA for a family of 4 up to £58,000 – higher than ever!
- Taxable to tax free investments – UT → ISA or ISA → Pension
- Premiums bonds and NS&I – 100% FSCS protection
- Grandchildren's pensions – birth to 18 - £3,600 PA - £1,030,000

by 65



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