



LEWIS BROWNLEE

# **BUDGET REPORT**

MARCH 2021

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## INTRODUCTION

**Many recent budgets have been something of a non-event, but the Budget delivered on Wednesday 3 March 2021 was not one of them.**

The Chancellor Rishi Sunak presented his second Budget on Wednesday 3 March, and in his speech he stated his Budget 'meets the moment with a three-part plan to protect the jobs and livelihoods of the British people'.

More support packages were announced, including extensions to the job support and self employment schemes (including help for those who commenced trading in 2019/20), business restart grants, an extension to the 5% reduced rate of VAT and the SDLT holiday.

Also of interest to some will be an extension to the loss relief rules permitting trading losses to be carried back for up to 3 years and a new tax super deduction for companies that invest in innovation.

We all knew that the almost incomprehensible amount of spending would inevitably lead to some significant tax rises.

Some Budget proposals may be subject to amendment in the 2021 Finance Act. You should contact us before taking any action as a result of the contents of this summary.

Please contact us if you would like more information or wish to discuss any topics that may affect you. **Call 01243 782 423 or email [LetsTalk@LewisBrownlee.co.uk](mailto:LetsTalk@LewisBrownlee.co.uk) and a member of the team will be in touch shortly.**



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## **CORONAVIRUS SUPPORT MEASURES**

### **CORONAVIRUS LOAN SCHEMES**

In 2020, the government introduced a number of government-guaranteed coronavirus loan schemes. In December 2020 the Chancellor extended, until the end of March 2021, access to the Bounce Back Loan Scheme, Coronavirus Business Interruption Loan Scheme and the Coronavirus Large Business Interruption Loan Scheme.

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**

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. This will provide the cash certainty needed to plan ahead and safely relaunch trading over the coming months.

### **BUSINESS RATES**

Business rates have been devolved to Scotland, Northern Ireland and Wales. All four nations have introduced 100% business rates relief mainly aimed at retail, leisure and hospitality businesses. Such businesses have not had to pay business rates from 1 April 2020 to 31 March 2021.

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. Nurseries will also qualify for relief in the same way as other eligible properties.

Following the Chancellor's announcement, the Welsh Finance Minister has extended the rates holiday for the retail, leisure and hospitality sectors in Wales for a further 12 months.

## **CORONAVIRUS SUPPORT MEASURES**

### **RATES REVIEW**

The government announced at Budget 2020 that it would conduct a fundamental review of the business rates system in England.

The government's objectives for the review are reducing the overall burden on business, improving the current business rates system and considering more fundamental changes in the medium-to-long term.

The government has recently announced the final report will be published in Autumn 2021 with an interim report published on 23 March.

### **EMPLOYER-REIMBURSED CORONAVIRUS TESTS**

The government will legislate in Finance Bill 2021 to introduce a retrospective income tax exemption for payments that an employer makes to an employee to reimburse for the cost of a relevant coronavirus antigen test for the tax year 2020/21. Legislation will extend this exemption for the tax year 2021/22.

The change will have effect on and after Royal Assent of Finance Bill 2021. The corresponding NICs disregard is already in force and this will also be extended for the tax year 2021/22.

### **THE CORONAVIRUS JOB RETENTION SCHEME (CJRS)**

The current JRS allows an employer to place an employee on furlough and apply for a grant to cover wage costs for the time an employee is on furlough.

The employer:

- can claim 80% of 'usual salary' for hours not worked, up to a maximum of £2,500 per employee (pro-rated for hours not worked) per month
- needs to fund employer National Insurance contributions (NICs) and the minimum employer automatic enrolment pension contributions.

in the Budget 2021 the Chancellor has further extended the 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.

## **CORONAVIRUS SUPPORT MEASURES**

### **THE CORONAVIRUS JOB RETENTION SCHEME (CJRS)**

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

- July 2021 - 70% of furloughed wages up to a maximum of £2,187.50 and
- 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.

The Chancellor has also extended eligibility for the scheme. For periods starting on or after 1 May 2021, employers can claim for employees who were employed on 2 March 2021, as long as a PAYE Real Time Information (RTI) submission was made between 20 March 2020 and 2 March 2021, notifying a payment of earnings for that employee.

### **TRAINEESHIPS & APPRENTICESHIPS**

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.

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.

Also, 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.

### **REDUCED VAT RATE FOR HOSPITALITY SECTOR**

In July 2020, a temporary 5% reduced rate of VAT was introduced for certain supplies of hospitality, hotel and holiday accommodation and admissions to certain attractions.

The Chancellor 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.

## **CORONAVIRUS SUPPORT MEASURES**

### **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 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 the 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. Where the self-employed business turnover has fallen by 30% the grant will be worth 80% of three months' average trading profits capped at £7,500. People whose turnover has fallen by less than 30% will receive a 30% grant, capped at £2,850.

## **TAX CHANGES ANNOUNCED**

### **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. 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.

### **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 million of unused losses will be available for carry back against profits of the same trade to the earlier two years. This £2 million limit applies separately to the unused losses of each 12 month period within the duration of the extension.

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

The £2 million 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.



## **TAX CHANGES ANNOUNCED**

### **FIRST YEAR ALLOWANCES FOR BUSINESS CARS FROM APRIL 2021**

Budget 2020 announced the extension of 100% first year allowances for zero-emission cars, zero-emission goods vehicles and equipment for gas refuelling stations by four years from April 2021.

CO<sub>2</sub> emission thresholds will also be amended from April 2021. These determine the rate of capital allowances available through which the capital expenditure for business cars can be written down. The thresholds will be reduced from 50g/km to 0g/km for the purpose of the first year allowances for low CO<sub>2</sub> emission cars and from 110g/km to 50g/km for the purpose of writing down allowances (WDAs) for business cars.

The reduction in thresholds will mean that only business cars acquired with CO<sub>2</sub> emissions of 0g/km will be eligible for first year allowances. Ultra-low emission vehicles which currently qualify for first year allowances if 50g/km or less will no longer qualify. They will be eligible for WDAs at the main rate (18%). Cars with CO<sub>2</sub> emissions exceeding 50g/km will be eligible for WDAs at the special rate (6%).

### **VAN BENEFIT CHARGE NIL-RATING FOR ZERO-EMISSION VANS**

From 6 April 2021, a nil rate of tax applies to zero-emission vans within the van benefit charge. In 2020/21 such vans have a van benefit charge at 80% of the standard flat rate of £3,490.

A zero-emission van is a van which cannot in any circumstances emit CO<sub>2</sub> emissions when driven. Governments have provided varying amounts of discounts from the van benefit charge for zero-emissions vans since 2010. We are now back to the policy which applied from 2010 to 2015 when there was no charge.

### **EASEMENT FOR EMPLOYER-PROVIDED CYCLES EXEMPTION**

The government will legislate in Finance Bill 2021 to introduce a time-limited easement to the employer-provided cycle exemption to disapply the condition which states that employer-provided cycles must be used mainly for journeys to, from, or during work. The easement will be available to employees who have joined a scheme and have been provided with a cycle or cycling equipment on or before 20 December 2020.

The change will have effect on and after Royal Assent of Finance Bill 2021 and be in place until 5 April 2022, after which the normal rules of the exemption will apply.

## **TAX CHANGES ANNOUNCED**

### **RESEARCH AND DEVELOPMENT (R&D) TAX RELIEF**

A cap on the amount of R&D tax credit which can be paid to a loss-making small or medium-sized enterprise (SME) will be introduced for accounting periods which commence on or after 1 April 2021.

Prior to the introduction of the cap, loss-making SMEs incurring qualifying expenditure on R&D activities are allowed to make a claim to surrender the unrelieved loss for a payable tax credit of up to 14.5%. For accounting periods commencing on or after 1 April 2021, payable tax credits are restricted to £20,000 plus three times the company's relevant expenditure on workers.

Relevant expenditure on workers is the company's PAYE and NICs for the period and importantly this is the company's whole PAYE and NIC liability. In addition, if the company is supplied with workers by a connected company the relevant workers' expenditure is extended to include a proportion of those worker costs.

Some companies which create or manage intellectual property and spend less than 15% with connected persons on R&D qualifying expenditure will be exempt from this cap.

### **CAPITAL GAINS TAX (CGT)**

No changes to the current rates of CGT have been announced at Budget 2021. This means that the rate remains at 10%, to the extent that any income tax basic rate band is available, and 20% thereafter. Higher rates of 18% and 28% apply for certain gains; mainly chargeable gains on residential properties with the exception of any element that qualifies for Private Residence Relief.

There are two specific types of disposal which potentially qualify for a 10% rate up to a lifetime limit for each individual:

- Business Asset Disposal Relief (BADR) (formerly known as Entrepreneurs' Relief). This is targeted at directors and employees of companies who own at least 5% of the ordinary share capital in the company, provided other minimum criteria are also met, and the owners of unincorporated businesses.
- Investors' Relief. The main beneficiaries of this relief are external investors in unquoted trading companies who have newly-subscribed shares.

The lifetime limit for BADR was reduced from £10 million to £1 million for BADR qualifying disposals made on or after 11 March 2020. Investors' Relief continues to have a lifetime limit of £10 million.

The CGT annual exemption will be maintained at the current 2020/21 level of £12,300 for 2021/22 and up to and including 2025/26.

## TAX CHANGES ANNOUNCED

### INHERITANCE TAX (IHT) NIL RATE BANDS

The nil rate band has been frozen at £325,000 since 2009 and this will now continue up to 5 April 2026. An additional nil rate band, called the 'residence nil rate band' (RNRB) which has been increased in stages and is now £175,000 for deaths in 2020/21 will also be frozen at the current level until 5 April 2026.

A taper reduces the amount of the RNRB by £1 for every £2 that the 'net' value of the death estate is more than £2 million. Net value is after deducting permitted liabilities but before exemptions and reliefs. This taper will also be maintained at the current level.

### OFF-PAYROLL WORKING IN THE PRIVATE SECTOR

New tax rules are soon to come into force for individuals who provide their personal services via an 'intermediary' to a medium or large business. The new rules apply to payments made for services provided on or after 6 April 2021. **You can see our LB Talking Points video on the subject here: [http://LBLink.uk/LBTP\\_IR35](http://LBLink.uk/LBTP_IR35)**

The off-payroll working rules apply where an individual (the worker) provides their services through an intermediary (typically a personal service company) to another person or entity (the client). The client will be required to make a determination of a worker's status and communicate that determination. In addition, the fee-payer (usually the organisation paying the worker's personal service company) will need to make deductions for income tax and NICs and pay any employer NICs.

The legislation uses an existing statutory definition within the Companies Act of a 'small company' to exempt small businesses from the new rules. A small company is one which meets two of these criteria:

- A turnover of £10.2 million or less
- Having £5.1 million on the balance sheet or less
- Having 50 or fewer employees.

If the business receiving the work of the individual is not a company, it is only the turnover test that will apply.

In the Budget the government announced minor technical changes to improve the operation of the rules, in response to feedback from stakeholders, which will be legislated for in Finance Bill 2021. The government will make changes to the rules regarding provision of information by parties in the labour supply chain.

These changes will make it easier for parties in a contractual chain to share information relating to the off-payroll working rules by allowing an intermediary, as well as a worker, to confirm if the rules need to be considered by the client organisation.

## **TAX CHANGES ANNOUNCED**

### **THE PERSONAL ALLOWANCE**

The personal allowance is currently £12,500. Budget 2018 announced that the allowance would remain at the same level until 2020/21 and the statutory provision to increase the allowance annually by CPI was to be overridden. The Chancellor has confirmed that the personal allowance will increase by CPI (0.5%) for 2021/22 to £12,570.

There is a reduction in the personal allowance for those with 'adjusted net income' over £100,000. The reduction is £1 for every £2 of income above £100,000. So for the current tax year there is no personal allowance where adjusted net income exceeds £125,000. For 2021/22 there will be no personal allowance where adjusted net income exceeds £125,140.

The Chancellor announced that the personal allowance will be frozen at £12,570 for the tax years 2022/23 to 2025/26.

### **TAX BANDS AND RATES**

The basic rate of tax is 20%. In 2020/21 the band of income taxable at this rate is £37,500 so that the threshold at which the 40% band applies is £50,000 for those who are entitled to the full personal allowance.

The Chancellor announced that for 2021/22 the basic rate band will be £37,700 so that the threshold at which the 40% band applies will be £50,270 for those who are entitled to the full personal allowance. The Chancellor announced that the basic rate band will be frozen at £37,700 for the tax years 2022/23 to 2025/26. The National Insurance contributions Upper Earnings Limit and Upper Profits Limit will remain aligned to the higher rate threshold at £50,270 for these years.

Individuals pay tax at 45% on their income over £150,000.

The tax on income (other than savings and dividend income) is different, for taxpayers who are resident in Scotland, from taxpayers resident elsewhere in the UK. The Scottish income tax rates and bands apply to income such as employment income, self-employed trade profits and property income. In the Scottish Budget on 28 January 2021, the Scottish Government proposed that the Scottish income tax rates will be frozen for 2021/22.

### **EXTENSION OF INCOME TAX EXEMPTION FOR COVID-19 RELATED HOME OFFICE EXPENSES**

The government will, by secondary legislation, extend the temporary income tax exemption and Class 1 NICs disregard for employer reimbursed expenses that cover the cost of relevant home office equipment. The extended exemption will have effect until 5 April 2022.

## **TAX CHANGES ANNOUNCED**

### **PENSIONS LIFETIME ALLOWANCE**

The lifetime limit sets the maximum figure for tax-relieved savings that an individual can build up over their lifetime.

Legislation will be introduced to remove the annual link to the CPI increase for the next five years. This will maintain the standard Lifetime Allowance at £1,073,100 for tax years 2021/22 to 2025/26.

### **STAMP DUTY LAND TAX**

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 three months so that it will end on 30 June 2021.

In December 2020, the Welsh Government changed the rates charged on higher rates residential property transactions and non-residential transactions including the rent element of non-residential and mixed leases. The changes to the higher residential rates have the effect of increasing the tax rates applied to the bands by 1%. For non-residential transactions, changes have been made to the bands so as to increase the nil rate thresholds. These changes came into effect on 22 December 2020.

#### **SDLT surcharge**

New SDLT rates are proposed for purchasers of residential property in England and Northern Ireland who are not resident in the UK. The new rates will be 2% higher than those that apply to purchases made by UK residents, and will apply to purchases of both freehold and leasehold property as well as increasing SDLT payable on rents on the grant of a new lease.

The surcharge will apply to land transactions with an effective date of 1 April 2021 or later. Transitional rules may apply to some contracts exchanged before 11 March 2020 but completed or are substantially performed on or after 1 April 2021, or some contracts substantially performed on or before 31 March 2021 but not completed until 1 April 2021 or later.

## **OTHER BUDGET ANNOUNCEMENTS**

### **UNIVERSAL CREDIT AND WORKING TAX 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, and this temporary £20 per week increase has now been extended for a further six months.

Also, a one-off payment of £500 will be made to eligible Working Tax Credit claimants to provide extra support over the next six months.

### **VENTURE CAPITAL SCHEMES: EXTENSION OF THE SOCIAL INVESTMENT TAX RELIEF**

The government will continue to support social enterprises that are seeking growth investment by extending the operation of Social Investment Tax Relief to April 2023. This will continue the availability of income tax relief and capital gains tax hold-over relief for investors in qualifying social enterprises.

### **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.

### **FREEPORTS**

In 2020 the government consulted on proposals to create up to ten Freeports across the UK. 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.

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 working with devolved administrations to establish Freeports in each of the nations.

## OTHER BUDGET ANNOUNCEMENTS

### NATIONAL LIVING WAGE (NLW) & NATIONAL MINIMUM WAGE (NMW)

The National Living Wage will increase by 2.2% and will be extended to 23 and 24 year olds for the first time. For workers aged under 23, the government has announced smaller increases in NMW in recognition of the risks to youth employment which the current economic situation poses.

**From 1 April 2021, the new hourly rates of NLW and NMW are:**

- £8.91 for those 23 years old and over
- £8.36 for 21-22 year olds
- £6.56 for 18-20 year olds
- £4.62 for under 18s
- £4.30 apprentice rate for apprentices under 19, and those 19 and over in their first year of apprenticeship.

The extension of the NLW to 23 and 24 year olds may catch out some employers. Employees in this category, if they are on the NMW rate, are currently being paid £8.20 an hour.

### PLASTIC PACKAGING TAX

Draft legislation has been issued to establish a Plastic Packaging Tax. This is a new tax that applies to plastic packaging produced in, or imported into the UK that does not contain at least 30% recycled plastic. Plastic packaging is packaging that is predominantly plastic by weight.

The tax rate will be £200 per tonne of non-compliant plastic packaging. There will be an exemption for businesses that manufacture or import less than 10 tonnes of plastic packaging per year. The tax will take effect from April 2022.

### VAN VEHICLE EXCISE DUTY (VED)

Van VED is currently levied at £250 per year for most light goods vehicles (under 3.5 tonnes) which have been registered since 1 March 2001. A consultation paper explored creating a graduated first year rate for new light goods vehicles and motorhomes from April 2021. The government has recently decided not to proceed with the change in light of the pandemic. Motorhomes will continue to be placed in the Private/Light Goods class.

### CONTACTLESS PAYMENT CARD LIMIT

The government has approved an increase to the legal contactless payment limits previously set by the European Commission. This will allow banks to support single contactless payments up to £100, and cumulative contactless payments up to £300, without the need for customers to input their chip and pin.

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