



Autumn Budget 2021 Musings

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Autumn Budget 2021: introduction

- / What we liked
- / What we didn't like
- / What was conspicuous by its absence

Tax rates and allowances

Rates and allowances fixed to April 2026

	2020/21 £	2021/22 £	2022/23 - 2025/26 £
Personal allowance	12,500	12,570	12,570
Higher rate tax threshold	50,000	50,270	50,270
National Insurance	Primary - 9,500 UEL - 50,000	Primary - 9,568 UEL - 50,270	Primary - 9,568 UEL - 50,270
CGT annual exemption	12,300	12,300	12,300
IHT nil rate band	325,000	325,000	325,000
Pension lifetime allowance	1,073,100	1,073,100	1,073,100
Savings starting rate	5,000	5,000	5,000
Adult ISA	20,000	20,000	20,000

Health and Social Care Levy / NIC

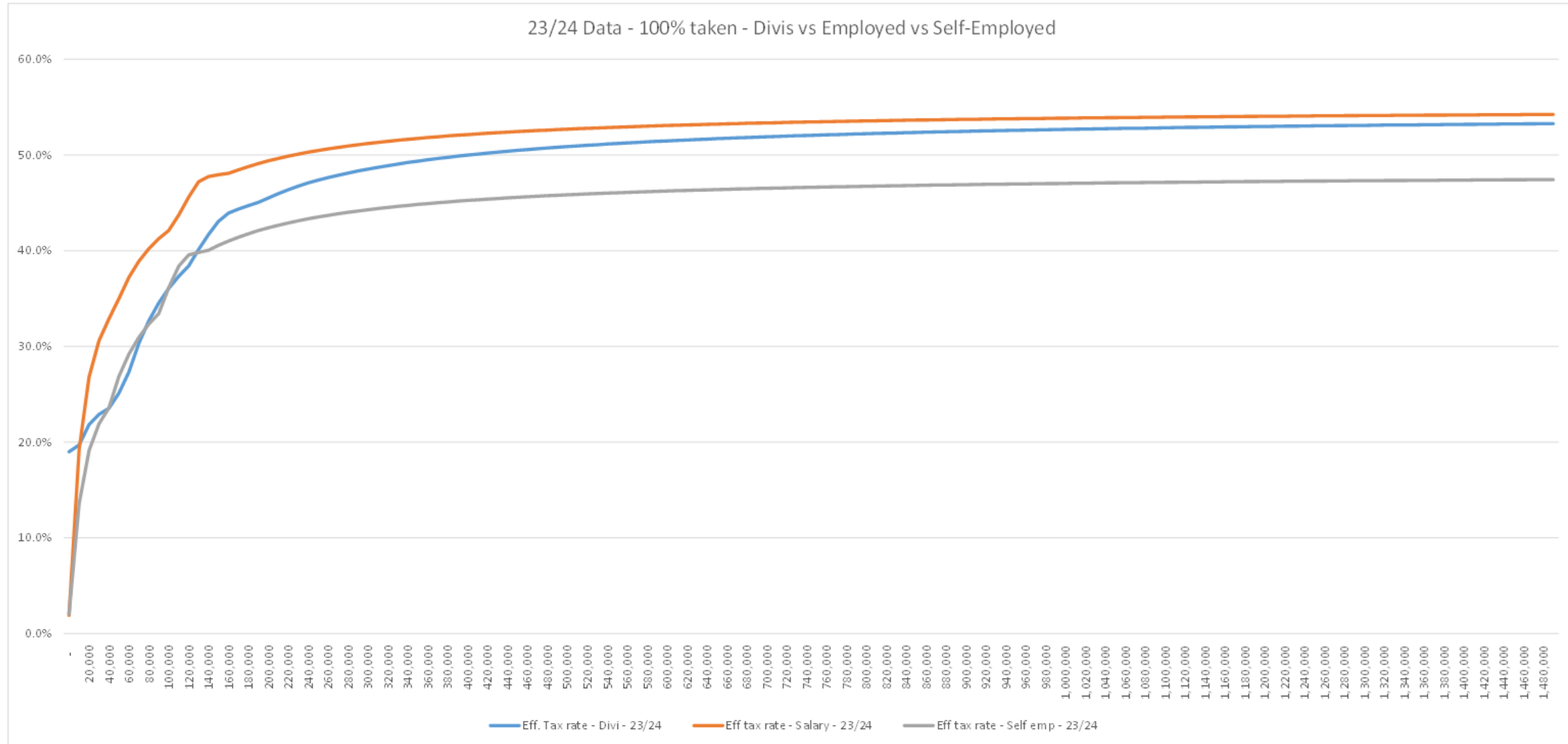
		Class 1		Class 4
		Employee (main/higher rate)	Employer	Self-employed (main/higher rate)
Current NIC rates (2021/22)		12% / 2%	13.8%	9% / 2%
Temporary NIC rates (2022/23)		13.25% / 3.25%	15.05%	10.25% / 3.25%
NIC rates from 2023/24	NICs	12% / 2%	13.8%	9% / 2%
	Levy	1.25%	1.25%	1.25%

Health and Social Care Levy / NIC

- / NIC increase from April 2022
- / New levy from April 2023
- / Affects employers, employees and self-employed
- / Consider salary sacrifice arrangements
- / Tax rate of dividends also affected:

Pre 6 April 2022	Post 6 April 2022
7.5%	8.75%
32.5%	33.75%
38.1%	39.35%

Remuneration planning



Corporation tax rates and rules

- / The main rate of corporation tax is to increase to **25%** from 1 April 2023
- / A small companies rate of **19%** will apply to companies with profits below £50k
- / Tapering for profits up to £250k where a marginal rate of **26.5%** applies
- / Small companies rate will not apply to close investment holding companies
- / Limits reduced for short accounting periods and “associated companies” (not 51% group companies!)
- / Abolition of cross-border group relief with immediate effect!

130% first year capital allowances

- / Applies from 1 April 2021 to 31 March 2023 for **companies** only
- / **130%** deduction on investment in qualifying plant and machinery
- / **50%** deduction for qualifying special rate assets
- / Exclusions on second-hand equipment, cars, long-life assets
- / Extended to commercial landlords on background plant and machinery!
- / Disposal proceeds fully taxable instead of being taken to the relevant capital allowances pool
- / Further, the disposal value is **130%** of proceeds (not for special rate assets)
- / **Annual Investment Allowance** of £1,000,000 continues to **31 March 2023**

Residential Property Developer Tax

- / Surcharge in respect of profits arising from the development of UK property
- / 4% on profits exceeding annual £25million allowance (with no carry forward of any unused allowance from previous years or relief for interest).
- / Allowance applies to a group as a whole
- / To be dealt with as part of corporation tax return

Qualifying asset holding companies

- / Government also confirmed new tax regime for qualifying asset holding companies applicable from 1 April 2022
- / Must be at least 70% owned by diversely held funds or certain institutional investors
- / Various tax breaks:
 - CGT exemption on certain disposal of shares and overseas property
 - Exempting overseas rental profits (where taxed overseas)
 - More favourable interest relief
 - Stamp duty and SDRT exemptions

Notification of uncertain tax treatment

- / Applies only to large businesses with effect from 1 April 2022
- / “Large”: turnover > £200 million or balance sheet total > £2 billion
- / In respect of VAT, CT or income tax, including PAYE
- / Uncertain amounts:
 - Provision made in the accounts
 - Position adopted is contrary to HMRC’s interpretation (either in public domain or direct dealings)
 - Consulting on whether a further trigger should be that it is likely that a Court or Tribunal would rule against the taxpayer
- / Only applies where the tax at stake is over £5 million per annum

Extension of trading losses carry back rules

- / 3 year carry back already available for terminal losses
- / Temporary extension to loss carry back rules for trading companies and unincorporated businesses from 1 to 3 years
- / Applies for up to £2 million of losses arising in each of 2020/21 and 2021/22 (years to 31 March 2021 and 2022 for companies)
- / Cap must be apportioned between group companies (subject to a de minimis £200,000)
- / Note carry back against previous year is unlimited. Cap restricts the carry back to the two earlier years

R&D tax reliefs

- / As per previous consultation, data and cloud computing costs will qualify for relief from April 2023.
- **Previous changes taking effect:** R&D tax credit capped at £20k plus three times total PAYE & NIC costs for accounting periods beginning on or after 1 April 2021
- Subject to exception if IP created by company and R&D not sub-contracted to connected party
- **However,** further changes from 2023 expected to restrict relief to R&D undertaken in the UK only

Creative industry reliefs

- / Rates of relief for Theatre Tax Relief, Orchestra Tax Relief and Museums and Galleries Exhibition Tax Relief increase for expenditure between 27 October 2021 and 31 March 2024
- / OTR increases from 25% to 50% but reducing to 35% from 1 April 2023
- / TTR increases from 20% (non-touring) and 25% (touring) to:
 - 45% and 50% respectively (until 31 March 2023)
 - 30% and 35% respectively (until 31 March 2024)

VAT

- / The 12.5% VAT rate for hospitality, holiday accommodation and attractions continues until 31 March 2022
- / Consultation to simplify the VAT treatment of fund management fees

And more....

Tonnage Tax

- / Reduction in lock in period from 10 to 8 years
- / Enable companies to re-enter the regime with good reason
- / Focus regime on UK flagged vessels

Income Tax

- / MTD for ITSA will now be introduced from 6 April 2024
- / General partnerships will not be required to join MTD for ITSA until 6 April 2025
- / Reform of penalties for late submission and late payment of tax for ITSA – 6 April 2024

CGT

- / Payment and reporting window in respect of UK property increased from 30 to 60 days for both residents and non-residents with immediate effect

APD

- / Reduced for domestic flights but increased for long haul from 1 April 2023

Consultations

/ **Re-domiciliation of overseas companies**

- Propose to allow inward re-domiciliation for companies based in jurisdictions which allow outbound re-domiciling subject to safeguards
- Previous consultation set out various tax aspects, such as rules which might be applied to determine corporate residence and rebasing of assets

/ **Online sales tax**

- “Will explore the arguments for and against.....”

Business rates

- / The business rates system will be modernised with revaluations every three years, with effect from 2023
- / The Government is freezing the business rates multiplier for a further year
- / A new 50% business rates discount for businesses in the retail, hospitality, and leisure sectors up to a maximum of £110,000 in England will be introduced for one year
- A new business rates improvement relief, including exemptions for items such as solar panels and wind turbines, and 100% relief for low-carbon heat networks that have their own rates bill

Alcohol duties

- / The government has published a consultation on its detailed proposals for alcohol duty reform. The consultation will close on 30 January 2022
- / All products across all categories will be taxed in reference to the litres of pure alcohol they contain
- / All categories will move to a standardised series of bands for the rates, with rates for products between 1.2-3.4% ABV, 3.5-8.4% ABV, 8.5-22% ABV, and above 22% ABV
- / For the 8.5-22% ABV and above 22% ABV bands, all products across all categories will pay the same rate of duty

Planning points

- / Companies should take advantage of the super-deduction
- / Consider deferring other costs e.g. pensions until 25% rate of CT applies
- / All businesses should seek to maximise use of the AIA and enhanced loss carry back rules
- / Dividends still generally more tax effective than salary but consider the wider picture

Thank you



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