



Budget 2021 Musings

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Budget 2021: introduction

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

Corporation tax rates

- / 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!)

130% first year capital allowances

- / Applies from 1 April 2021 to 31 March 2023 for **companies**
- / **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, assets for leasing
- / 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 December 2021

Freeports: capital allowances

- / 8 English Freeports to be opened
- / 10% Structures and Buildings Allowance for structures brought into use by 30 September 2026
- / Similarly 100% enhanced allowances for plant and machinery
- / Also SDLT, NIC and business rates incentives

Extension of trading losses carry back rules

- / Temporary extension to loss carry back rules for trading companies and unincorporated businesses from 1 to 3 years
- / 3 year carry back already available for terminal losses
- / Applies for up to £2m 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

Repeal of Interest and Royalties Directive

- / Previously allowed for the payment of intra-group interest and royalties gross between the UK and EU companies
- / To be repealed from 1 June 2021
- / Treaty rates will instead apply

Consultation: R&D tax reliefs

- / Previous consultation looked at whether data and cloud computing costs should qualify
- / Further wide ranging consultation looking at:
 - Scope of relief
 - Qualifying expenditure
 - Differences between the SME and RDEC regimes
- ✓ **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

Consultation: EMI share option schemes

- / Nearly 4,000 companies granted EMI share options in 2018/19 to the benefit of 34,000 employees
- / Government committed to regime, but far ranging review looking at how well targeted the relief is:
 - Qualifying company restrictions
 - Are the limits appropriate?
 - Does it encourage the retention of key staff?
- ✓ **Good news:** legislation to confirm that furloughed employees continue to meet working time requirement

Stamp Duty Land Tax (SDLT)

- / **£500,000** nil rate band for residential property extended until 30 June 2021
- / Thereafter, reduced to **£250,000** until 30 September 2021 when it reduces back to **£125,000**
- / **2%** surcharge for non-residents buying UK residential property to be introduced from 1 April 2021

VAT

- / Extension of the **5%** VAT rate for hospitality, holiday accommodation and attractions until 30 September 2021
- / To be replaced by a **12.5%** rate to 31 March 2022
- / **VAT Deferral Scheme** allowing businesses to pay off VAT due up between 20 March and 30 June 2020 in interest-free instalments from March 2021

Construction Industry Scheme

/ Changes from 1 April 2021:

- Entities outside the construction sector only need to apply CIS where annual construction expenditure exceeds £3m (previously £1m)
- Clarification of rules governing allowable deduction for materials
- Expanded HMRC powers to amend returns and scope of penalties for errors

And more....

- / New points-based **penalty regime** to be introduced from 1 April 2022 for VAT and from April 2023 for income tax
- / Income tax exemption for employer re-imbursed **COVID tests** for 2020/21
- / As previously announced, **benefit charge** reduced to nil for zero emission **vans** from 6 April 2021

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

Other points of interest

- / Off-payroll working rules
 - Two minor changes regarding the provision of information by parties in the labour supply chain
- / Tax exemption for buying home office equipment – extended to 5 April 2022
- / Relaxation of ‘qualifying journeys’ requirement for Cycle to Work scheme

Coronavirus Job Retention Scheme

	Employee	HMRC contribution	Employer contribution
March 2021	80%	80%	NIC and pension
April 2021	80%	80%	NIC and pension
May 2021	80%	80%	NIC and pension
June 2021	80%	80%	NIC and pension
July 2021	80%	70%	10% + NIC and pension
August 2021	80%	60%	20% + NIC and pension
September 2021	80%	60%	20% + NIC and pension

Self-Employment Income Support Scheme

Fourth grant

- / 80% of three months' average trading profits
- / Capped at £7,500
- / Covers February 2021 - April 2021
- / Taxable in the year received (2021/2022)
- / Must have filed a 2019/20 Tax Return
- / Same eligibility as third grant

Self-Employment Income Support Scheme

Fifth (and final?) grant

- / Turnover tested
- / Turnover fallen by 30% will receive full grant (worth 80% of three months' average trade – capped to £7,500)
- / Turnover fallen by less than 30% will receive 30% grant capped to £2,850
- / Can be claimed from late July
- / Action point: tax returns should be completed pre July 2021

Restart Grants

- / Grants to businesses to help them restart after emerging from lockdown
- / Non-essential retail – grants of up to £6,000 per premises
- / Hospitality, leisure, accommodation, personal care & gyms – grants of up to £18,000 per premises
- / Full details of grants still to be announced

Recovery Loan Scheme

- / Government provides 80% guarantee on new loans
- / Loans £25k - £10m
- / Asset/invoice finance £1k - £10m
- / Up to 6 years for loans and asset finance
- / Up to 3 years for overdrafts and invoice finance
- / 6 April 2021 to 31 December 2021, subject to review
- / No personal guarantee <£250k

Business rates

/ Retail, hospitality, leisure and nurseries:

- 100% relief April - June 2021
- 66% relief July 2021 - March 2022

/ Caps:

- £2m per business if locked down 5 January 2021
- £105k per business if not locked down

/ Repayments of rates relief tax deductible

Mortgage guarantee

- / For borrowers with deposit of 5% - 9%, home value <£600k
- / Government provides guarantee to lender
- / 5 year fixed loans available
- / April 2021 - December 2022, subject to review

Thank you



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