



MARCH 2021 Budget – Newsletter

(large print version available at www.mispencerltd.co.uk/newsletters)

Personal

Personal Allowance and Tax Rate Bands

The personal allowance is rising by £70 from 06/04/21 to £12,570 and the basic rate threshold is increasing by £270 to £50,270. The higher (up to £150,000) and additional rate (over £150,000) tax bands are remaining the same. These rates are then frozen for the following four years.

The £2,000 (0%) tax free dividend allowance; £5,000 (0%) starting rate limit for savings income: and £1,000 (£500) personal savings allowance continue to apply.

The marriage allowance (for basic rate tax payers) increases to £1260, and so is worth up to £252 per annum to a couple: and the married couples allowance (for those born before 1935) increases to £3,530 - £9,125 (at 10%). Blinds persons' allowance goes up to £2,520.

National Insurance

The primary NIC threshold will increase by £1 to £184 per week; below this amount you do not pay national insurance.

Tax Credits

There is a six-month extension of the £20 per week Universal Credit uplift: and a one-off payment of £500 to eligible Working Tax Credit claimants. The basic element of the working tax credit has increased from £1,995 to £2,005; with modest increases in the couple & lone parent, 30 hour, disabled worker and severe disability elements.

ISAs

The adult ISA annual subscription limit for 2021-22 will remain unchanged at £20,000

Capital Gains Tax

The annual CGT exemption (£12,300) and rates of CGT payable (10% or 20% above basic rate) remain the same for 2021/22. Similarly the rate of CGT payable on residential (not own home) property remain at 18% / 28% (above basic rate).

Inheritance Tax

There have been no changes to the IHT rates (40%/ 20%) chargeable on death or lifetime transfers above the exempted (£325,000) amount. The NRB (residence nil rate band) limit remains at £175,000. These limits are currently to be maintained until 2026.

Home Buyers

A new mortgage guarantee scheme will enable all UK homebuyers secure a mortgage up to £600,000 with a 5% deposit.

Other

The limit for single contactless payments will be more than doubled, from £45 to £100; welcome when doing the weekly shop.

Employment and Benefits in Kind

Furlough Scheme

The furlough scheme for employees has been extended to September 2021.

COVID 19 Tests and benefits in kind (BiKs)

An exemption for Coronavirus (antigen) tests provided by employers for employees will apply in 2021/22, so that no income tax or national insurance will be payable. This exemption will be retrospectively applied for 2020/21 to remove the tax charge that would otherwise apply where employers have already provided tests for employees; the disregard for national insurance in the current (20/21) tax year already exists.

Company Vans

From 6th April 2021 no benefit in kind charge will arise on electric vans provided to employees where they have unrestricted private use, providing the van has zero carbon emissions. The benefit charge on non-electric vans which have private use is increased to £3,500 for 2021/22. Where fuel is provided the benefit charge is increased to £669.

Employer provided cycles

The government recognises that during the pandemic and with many working from home, employees are not using employer-provided cycles to commute to work. For those already on a cycle to work scheme, who joined before 20th December 2020, the main condition of the scheme will be relaxed until 5th April, 2022. This means there is a time-limited easement to keep cycles (for employees on existing schemes) out of the benefit in kind regime.

This brief summary covers some of the budget changes; you are advised to further take professional advice before acting.



Business Tax

Changes For the Self-Employed

It is proposed that the SEISS grants will be extended for a further 6-months until September, with a fourth & fifth grant. The fourth grant will take into account profit information from your 19-20 tax return when calculating how much you may receive, and be based on average profits in the 4 tax years between 2016 – 2020. The grant will be available to claim in late April. Whether you qualify will depend on how severe an impact the pandemic has on your business between February and April 2021: and you will need evidence to be able to prove this. Claims for the fourth grant will need to be made before 31st May 2021.

Details of the exact conditions and calculation for the fifth grant have yet to be released.

Help With Business Rates

The business rates holiday in England has been extended by an additional three months for retail, hospitality and leisure properties in England, who will pay no business rates for three months from 1 April.

Recovery Loan Scheme

The government has announced a new loan scheme to support UK business as it tries to recover and grow after the pandemic. This will be available to businesses of any size: and be 80% guaranteed by the government to the finance lender. The scheme will open from 6th April and be available until 31st December when it is subject to review. Term loans and overdrafts between £25,000 - £10m per business will be available, together with invoice and asset finance (between £1,0000 - £10m). Loans and finance facilities will have terms up to 6-years: and overdrafts and invoice finance facilities up to 3-years. No personal guarantees on facilities up to £250,000 will be required.

You will need to be trading in the UK: and be able to demonstrate that your business is or would be viable were it not for the pandemic, which has impacted on your business position.

VAT

The government have announced an extension to the VAT rate cut to 5% for hospitality, accommodation and attractions across the UK until the end of September; followed by a 12.5% rate for a further six months until 31 March 2022.

SSP

Small and medium-sized employers in the UK will continue to be able to reclaim up to two weeks of eligible Statutory Sick Pay (SSP) costs per employee..

Companies

Corporation tax and business tax

The government is keeping corporation tax at 19% until 2023-24. Then the main rate for those with profits above £50,000 will increase. Those with profits between £50,000 and £250,000 will benefit from some taper relief. But those businesses with profits of £250,000 or greater will be taxed at the full 25% rate.

Super-deduction for Capital Allowances

A new 130% first-year capital allowance for qualifying plant & machinery: and a 50% first year allowance for special rate assets will be given from 1 April 2021 (until 31 March 2023). This will effectively allow companies to cut their tax bill by 0.25p for every £1 they invest in assets, to help grow their business. There are various restrictions on what does and what doesn't qualify: and the usual apportionment provisions will apply where a company's accounting period straddles 31st March.

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