

## Bullimores' Notes and Commentary on the Chancellors' Statement 3 March 2021



### Too many unknowns and a good stab – but can we simplify the tax system please?

The Chancellor made a valiant attempt at mission impossible. Trying to balance the need for immediate support and encouraging growth whilst stopping debt getting out of control and without seeming to increase taxes would be worthy of Tom Cruise himself, although probably not a great film. The public finances have taken a £352 billion battering in the last year because of the pandemic and this is set to continue. He was hamstrung from raising revenue by the situation and election commitments not to increase personal taxes so instead froze almost all allowances, believing that wage and economic growth will deliver. The forecasts are for strong growth.

Corporation tax receipts are around 5% of the the total revenue to the Treasury and raising the main rate to 25% in two years' time will have some effect, but this may be short of repaying the additional debt and perhaps even the interest on that debt. The Chancellor acknowledged this in his speech and it left us with the feeling that the hard decisions such as capital gains tax and pensions reform has been left to another day, or even another chancellor! This may create additional uncertainty and speculation in the medium term for some businesses and individuals. Perhaps there will be more in the second part of this budget on 23 March when we are due both a tax policies report and the results of various consultations on tax reforms.

Simplification has been a buzzword of successive governments in recent times but rarely has it been applied. Tax legislation is unwieldy and will become more so with the return to two rates of corporation tax and multiple rates of capital allowances. Suddenly all of the associated company rules will make a very unwelcome return! We hope that the ten year plan in the tax policies report can help simplify things for businesses. This is what a modern, dynamic economy needs.

The extended period of Stamp Duty Land Tax relief and the backing to 95% mortgages were welcomed by those hoping to move in the short term and who have found it difficult to get the transaction completed because of various delays and the reticence of mortgage companies. The balancing act continues for the Chancellor even here, since an average house price rise of 7.5% in 2020 negates much of the stamp duty saving. This may have knock on effects in other sectors that need a level of discretionary spending amongst the young. Interest rates are extremely low, so long term fixed rate mortgages will no doubt be popular if they are available at reasonable rates.

Businesses in the relevant sectors will welcome the extended relief from business rates and the additional grants available. The commitment to job retention and self employed support is to be lauded whilst we deal with what hopefully is the last six months of an unprecedented period.

It was however a shame to see that the small and medium size businesses were criticised for abuse of the research and development relief and have had payable tax credits restricted. The research and development reliefs urgently need simplification since they are far too complicated. This has encouraged R&D advisers into the market on a commission based approach to tax saving, often internet based whilst knowing little about the business before making a claim. It is small and medium size businesses that often lead the way in R&D.

We are all looking forward to a beer in a pub soon, whether community owned or not!

**“I hate paying taxes. But I love the civilization they give me.”**

*Oliver Wendell Holmes*

**“If the Government needs to tax something new, I suggest it be a tax on eye rolling and whispering in public.”**

*Robert Braathe*

## Income Tax and National Insurance Contributions

- Income tax personal allowance, higher rate threshold and NIC thresholds to increase in line with CPI in April 2021 then frozen April 2022 to April 2026.
- Income tax and NIC exemptions in 2021/22 for antigen tests provided by employer and for employer reimbursed home office equipment necessary for working from home as a result of Coronavirus.

## Pensions and Savings

- Pension lifetime allowance to remain at £1,073,100 until April 2026.
- Adult ISA annual subscription limit unchanged at £20,000 2021/22, Junior ISA and Child Trust Funds unchanged at £9,000.
- Starting rate band for savings tax unchanged at £5,000 2021/22.
- Green retail national savings product to be launched in summer 2021.
- Social investment tax relief to be extended to April 2023 for investment in qualifying social enterprises.

## Inheritance Tax

- No change to inheritance tax threshold and allowances until 2026.

**Bullimores are licenced to assist with non-contentious probate  
Please speak with us for further details**

## Capital Gains Tax

- Annual exemption from CGT unchanged from April 2021 to April 2026.

## Business Taxes

- Corporation tax rate April 2023 on profits over £250,000 25%.
- Small companies rate April 2023 on profits to £50,000 19%.
- Tapering of corporation tax rate April 2023 for profits between £50,000 to £250,000.
- Capital allowances super deduction 1 April 2021 to 31 March 2023 for investment in qualifying plant and machinery at 130% of spend, 50% first year allowance rate for qualifying special rate/long life assets.
- Annual investment allowance confirmed at £1m 1 January 2021 to 31 December 2021.
- Trading loss carryback to be 3 years in 2020/21 and 2021/22 – unincorporated businesses and companies. £2m cap for 2020/21 and 2021/22 but restricted where part of a group of companies.
- R&D payable tax credit for SME's capped to £20,000 plus 3 times total PAYE & NIC liability.
- Bank surcharge of 8% to be reviewed before the change in corporation tax main rate.

## Anti-avoidance

- Taskforce created to crack down on fraud in Government COVID schemes.
- Anticipated recovery of an additional £2.2bn in the next 4 years.
- Targeted action on electronic sales suppression software and the promoters of tax avoidance schemes.
- Review of the rules requiring digital platforms to send information on sellers to HMRC and to the seller. Global information exchange to be established.

## VAT and Insurance Premium Tax

- 5% rate of VAT for goods and services supplied by the tourism and hospitality sector until 30 September 2021, followed by 12.5% rate until 31 March 2022.
- VAT deferral scheme for COVID extended where claimed between 20 March 2020 and June 2020, repayments can be made in up to 11 equal payments from March 2021.
- VAT registration and deregistration thresholds to remain unchanged until 31 March 2024.
- Making Tax Digital to be extended to all VAT registered business April 2022.

## Duties and Cars

- Fuel duty frozen (for the 11<sup>th</sup> year).
- Alcohol duties frozen.
- Air passenger duty rates to increase with RPI from April 2022.
- Vehicle excise duty to rise with RPI April 2021. HGV rates frozen.
- Further exceptions to the red diesel ban where used for commercial purposes.
- Aggregates Levy rate frozen for 2021/22 and Carbon Price Support rate frozen at £18 per tonne of CO2 in 2022/23.

The VAT reverse charge in the building and construction sector came into effect on 1 March 2021 – contact us if you have any queries

## Stamp Duties and SDLT

- Extension to the temporary cut in Stamp Duty Land Tax – NIL rate band is £500,000 until 30 June 2021 then £250,000 until 30 September 2021. Returns to £125,000 1 October 2021.

## Business Rates

- Eligible retail, hospitality and leisure properties business rates relief from 1 April 2021 to 30 June 2021. Reduced to 66% relief 1 July 2021 to 31 March 2022. Nurseries also qualify. Caps for large businesses.
- Confirmation that repayment of business rates relief qualifies for a tax deduction.

## Environment

- Green gilts to be issued to the value of £15bn to help projects that tackle climate change, environmental challenges, funding infrastructure and creation of green jobs.
- Carbon markets working group to establish the UK and London as a leading global market for high quality voluntary carbon offsets.
- Plastic packaging tax to be introduced 1 April 2022.

## Further issues/announcements

- New English freeports to be established at 8 locations with tax incentives.
- £375m Future Fund to invest in life sciences, quantum computing and clean tech – funding rounds led by private investors and the British Business Bank.
- Reforms to immigration system to attract international talent.
- Help to Grow scheme introduced for digital and management training.
- Towns fund of £1bn for 45 towns to support long term economic and social regeneration.
- Community Ownership Funds to allow communities to invest in important assets such as pubs, theatres, shops and local sports clubs – up to £250k matched funding.
- UK Infrastructure Bank formed to be able to lend up to £12bn from spring 2021.
- Cashless payment card limit to be increased to £100 (although card fraud continues to increase).
- Gaming yield bands to rise by RPI for gaming duty.
- Public listing of high growth companies to be simplified.
- Support for a bid for the 2030 Football World Cup (employers beware!). Support for UEFA Women's Euro Football competition in 2022.
- British citizens who have lived overseas for 15 years may be able to vote (representation no longer following taxation?).

## New consultations/reviews and discussions

- Tax policies and consultations document to be issued 23 March 2021.
- R&D tax relief – is it far reaching enough and fit for purpose?
- Competitions for floating offshore wind demonstrators and delivering the first of a kind long-duration low carbon energy storage prototype.
- Build Back Better – a growth plan developed by the Government for the whole economy.
- Enterprise Management Incentives call for evidence to expand availability.

**Off-payroll working rules change on 6 April 2021 for individuals supplying services through an intermediary. If you own a company and supply services to a medium or large client, they will need to check your status.**

## Tax Administration

- New penalty and interest regime for VAT and Income Tax Self Assessment introducing a points based penalty system – to apply to VAT April 2022, Income Tax April 2023.
- Tax administration review with large businesses.

## Special Coronavirus measures

- Coronavirus Job Support Scheme (furlough) to September 2021 – employers to contribute to unworked hours at 10% in July, 20% in August and 20% in September.
- Self Employment Income Support Scheme to September 2021 – extended to the newly self employed that filed a 2019/2020 tax return. 4<sup>th</sup> grant in April to be based around the same criteria as for 3<sup>rd</sup> grant. 5<sup>th</sup> grant in July to have a test of fall in turnover and reductions if this is less than 30%.
- New mortgage guarantee scheme until 31 December 2022 by Government to lenders to secure a mortgage on homes worth up to £600,000 with a 5% deposit on new or existing mortgages.
- Restart grants of up to £18,000 for businesses in hospitality, accommodation, leisure, personal care and gyms. Up to £6,000 for non-essential retail businesses.
- Recovery Loan Scheme with Government backing for 80% to replace the Bounce Back Loan Scheme and CBIL Scheme for loans between £25,000 to £10m. All businesses can apply.
- Extension of the £500 Test and Trace support payment until the summer.
- 6 month extension of £20 per week top up of Universal Credit – one off £500 to eligible Working Tax Credit claimants.
- Further £1.65bn cash for the vaccine rollout.
- Further £700m for education catch-up.
- Apprenticeship hiring incentive increase for new hires 1 April 2021 to 30 September 2021 to £3,000 – flexi-job programme and more investment in apprenticeship programme by Government.
- Additional funding for domestic abuse programmes, museums and spectator sports.
- SME employers can continue to reclaim up to 2 weeks of SSP payments per employee.
- Extended Film and TV Production Restart Scheme (Mission Impossible 8).

*This Budget Report was prepared immediately after the Chancellor's Budget Statement based on official press releases and supporting documentation. The Budget proposals are subject to amendment before the Finance Act receives Royal Assent. This Report is for guidance only, and professional advice should be obtained before acting on any information contained herein.*

### RATES 2020/21 and 2021/2022

<b>INCOME TAX RATES</b>	<b>2020/2021</b>	<b>2021/2022</b>
Basic rate – 20%	£37,500	£37,700
Higher rate – 40%	£150,000	£150,000
Additional rate – 45%	over £150,000	Over £150,000
Savings income rate - 0% starting rate	£5,000	£5,000
Dividends - ordinary rate 7.5%; upper rate 32.5%; additional rate 38.1%		

<b>PERSONAL ALLOWANCES</b>	<b>2020/2021</b>	<b>2021/2022</b>
Allowances that reduce taxable income		
Personal allowance *	£12,500	£12,570
Transferable marriage allowance for non-higher rate taxpayers	£1,250	£1,260
Dividend allowance	£2,000	£2,000
Personal savings allowance for basic rate taxpayers	£1,000	£1,000
Personal savings allowance for higher rate taxpayers	£500	£500
* Personal allowance gradually withdrawn for all individuals when income exceeds £100,000		

<b>VALUE ADDED TAX</b>	<b>From 1 April 2020</b>	<b>1 April 2021</b>
Registration threshold	£85,000	£85,000
De-registration threshold	£83,000	£83,000

<b>2021/2022 NATIONAL INSURANCE CONTRIBUTIONS</b>			<b>Employer</b>	<b>Employee</b>
<b>Class 1* (not contracted out)</b>				
Weekly earnings bands				
	up to £184		Nil	Nil
	£184 - £967		13.8%	12%
	over £967		13.8%	2%
payable until reaching State Pension age				
Class 1A	On relevant benefits		13.8%	
Class 2*	Self employed		£3.05 per week	
	Limit of net earnings for exception		£6,515 per annum	
Class 3	Voluntary		£15.40 per week	
Class 4*	Self employed on profits £9,568 - £50,270		9%	
	Self employed on profits over £50,270		2%	
* Exemption tax the year after reaching retirement age.				

<b>CORPORATION TAX</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Main rate	19%	19%	19%

<b>CAPITAL TAXES</b>	<b>2020/2021</b>	<b>2021/2022</b>
Capital gains tax annual exemption	£12,300	£12,300
Capital gains tax rate - basic rate taxpayer	10%	10%
Capital gains tax rate - higher rate taxpayer	20%	20%
Surcharge on carried interest and residential property (that does not qualify for private residence relief)	8%	8%
Entrepreneurs relief rate	10%	10%
Entrepreneurs relief lifetime limit of gains	£1,000,000	£1,000,000
Inheritance tax nil rate band	£325,000	£325,000
Married couples and civil partners - max	£650,000	£650,000
Residence nil rate band limit	£175,000	£175,000
Taper threshold for residence nil rate band	£2,000,000	£2,000,000

## COMPANY CARS

**P11d Benefits - Table of taxable percentage of the list price for 2020/2021. A new emissions test introduced for cars registered after 6 April 2020 (WLTP)**

**- Diesel supplement of 4% to petrol percentages below to a maximum of 37% (no supplement if RD2E standard met)**

CO <sub>2</sub> in g/km	Electric mileage range	Taxable Petrol %	Hybrid %	CO <sub>2</sub> in g/km	Electric mileage range	Taxable Petrol %	Hybrid %
1 to 50	130 and above	2	0	100 to 104	-	25	23
1 to 50	70 to 129	5	3	105 to 109	-	26	24
1 to 50	40 to 69	8	6	110 to 114	-	27	25
1 to 50	30 to 39	12	10	115 to 119	-	28	26
1 to 50	less than 30	14	12	120 to 124	-	29	27
51 to 54	-	15	13	125 to 129	-	30	28
55 to 59	-	16	14	130 to 134	-	31	29
60 to 64	-	17	15	135 to 139	-	32	30
65 to 69	-	18	16	140 to 144	-	33	31
70 to 74	-	19	17	145 to 149	-	34	32
75 to 79	-	20	18	150 to 154	-	35	33
80 to 84	-	21	19	155 to 159	-	36	34
85 to 89	-	22	20	160 to 164	-	37	35
90 to 94	-	23	21	165 to 169	-	37	36
95 to 99	-	24	22	170 & above	-	37	37

The exact CO<sub>2</sub> figure is always rounded down to the nearest 5 grams per kilometre. For example, CO<sub>2</sub> emissions of 188g/km are treated as 185g/km.

### 2020/21 EMPLOYER PROVIDING FUEL FOR PRIVATE USE

Free fuel for private use – multiplier is £24,500

### VAT FUEL SCALE CHARGE – 3 MONTH CHARGE FROM 1 MAY 2020 to 30 APRIL 2021

CO <sub>2</sub> BAND in g/km	VAT FUEL CHARGE 3 month period, £	VAT ON 3 MONTH CHARGE @ 20%, £	FUEL SCALE CHARGE (Net amount), £
120 or less	144.00	24.00	120.00
125	218.00	36.33	181.67
130	231.00	38.50	192.50
135	246.00	41.00	205.00
140	261.00	43.50	217.50
145	275.00	45.83	229.17
150	290.00	48.33	241.67
155	305.00	50.83	254.17
160	319.00	53.17	265.83
165	334.00	55.67	278.33
170	348.00	58.00	290.00
175	362.00	60.33	301.67
180	377.00	62.83	314.17
185	392.00	65.33	326.67
190	406.00	67.67	338.33
195	421.00	70.17	350.83
200	436.00	72.67	363.33
205	450.00	75.00	375.00
210	464.00	77.33	386.67
215	479.00	79.83	399.17
220	493.00	82.17	410.83
225 or more	508.00	84.67	423.33

Please refer to Bullimores if you are applying fuel scale charges for a 12 month or 1 month period. There are also different rates for hybrid cars.

### COMPANY VANS

The taxable benefit for company vans with no restrictions on private use is £3,490, with no reduction for older vans. Electric vans reduce the benefit.