

360 ACCOUNTING – BUDGET UPDATE 4 MARCH 2021
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Following yesterday's Budget announcement by Chancellor Rishi Sunak, please see below a list of the key highlights:

INDIVIDUALS

1. [Personal Allowance increases for 2021/22 – knock-on effect for other income tax thresholds](#)
2. [ISA allowance, Inheritance Tax nil-rate, Pensions Lifetime Allowance, Capital Gains rates all frozen until 2026](#)
3. [Stamp Duty £500k nil-rate band extended until 30 June; reduced to £250k until 30 September](#)

BUSINESSES & EMPLOYERS

4. [Corporation Tax increases from 19% to 25% from 1 April 2023 for companies over £250,000 annual profit, and tapered rates for companies over £50,000 annual profit](#)
5. [Extension of Making Tax Digital to cover all VAT-registered businesses from 1 April 2022](#)
6. [Capital Allowance incentives in 130% super-deduction for plant & machinery and 50% allowance on special rate assets](#)
7. [Benefit in Kind increases for vans for 2021/22 – electric cars increase by 1% as planned](#)
8. [Temporary extension to carry back period for trading losses arising in 2020/21 and 2021/22](#)
9. [Extension in reduced VAT rate for hospitality sector businesses](#)
10. [Off-Payroll working regulations \(aka IR35\) to come in from 6 April 2021 as planned](#)
11. [Eight new 'freeports' announced across England – further sites likely in Scotland, NI, and Wales](#)
12. [New incentive grants of £3,000 per apprentice for businesses hiring new apprentices](#)

CORONAVIRUS UPDATES

13. [Coronavirus Job Retention Scheme \(CJRS\) extended to 30 September 2021, but with employer contributions coming in from 1 July 2021](#)
14. [Fourth and fifth grants for self-employed – many previously ineligible applicants now covered due to new eligibility criteria](#)
15. [New Recovery Loan Scheme launching soon – businesses who already have a loan under BBLs / CBILs / CLBILs may still be able to apply](#)
16. [Further business rates relief for some retail, hospitality, and leisure businesses in England](#)
17. ['Restart grants' to be made available in April 2021 for some retail, hospitality, and leisure businesses in England](#)
18. [Extension into 2021/22 tax year for Income Tax and NIC exemptions for employers paying for coronavirus tests](#)

(Click the link to jump to that section in the document!)

We have attempted to summarise all the key aspects of yesterday's Budget announcements, however should you require further information, please go to the Budget 2021 overview on the GOV.UK website: <https://www.gov.uk/government/publications/budget-2021-overview-of-tax-legislation-and-rates-ootlar/budget-2021-overview-of-tax-legislation-and-rates-ootlar>.

1. Personal Allowance & Basic Rate threshold increases for 2021/22

For more information, please go to: <https://www.gov.uk/guidance/rates-and-thresholds-for-employers-2021-to-2022>

The Personal Allowance will increase to **£12,570** from 6 April 2021, and is projected to be frozen until 5 April 2026. The Basic Rate threshold will also increase to **£37,700** from 6 April 2021, and is also projected to be frozen until 5 April 2026. These two increases therefore push the Higher Rate threshold up to **£50,270** from 6 April 2021.

OTHER KEY POINTS

- The Additional Rate threshold will remain at £150,000.
- The Dividend Allowance remains at £2,000.
- The personal savings allowances remain at current levels.
- As a result of the Personal Allowance increase, spouses taking advantage of the Marriage Allowance will see this increase to **£1,260** from 6 April 2021.
- Similarly, Blind Person's Allowance will increase to **£2,520** from 6 April 2021.

For more information on the measures which will run until 2022/23 to 2025/26 measures, please visit the [GOV.UK website here](#).

2. ISA allowance, Inheritance Tax nil-rate band, Pensions Lifetime Allowance, Capital Gains exemptions rates all frozen until 2026

The current rates of various taxes will remain frozen until 5 April 2026:

- The annual subscription limit for adult ISAs and Junior ISAs will remain at £20,000 and £9,000 respectively for 2021/22.
- For Inheritance Tax, the nil-rate band will remain at £325,000. The residence nil-rate band will also remain at £175,000, with the taper continuing to start at £2 million. ([More information here!](#))
- The pensions Lifetime Allowance will remain at £1,073,100, and the Annual Allowance will remain at £40,000. The Money Purchase Annual Allowance and the Tapered Annual Allowance will also remain at £4,000 and £240,000 respectively. ([More information here!](#))
- The Capital Gains Tax rates remain unchanged, with the annual exemption for 2021/22 remaining at £12,300 for individuals and £6,150 for trustees. ([More information here!](#))

3. Extension to nil-rate band of Stamp Duty Land Tax (SDLT)

For more information, please go to: <https://www.gov.uk/government/publications/extension-of-the-temporary-increase-to-the-stamp-duty-land-tax-nil-rate-band-for-residential-properties/extension-of-the-temporary-increase-to-the-stamp-duty-land-tax-nil-rate-band-for-residential-properties>

The **£500,000 nil-rate band** for Stamp Duty Land Tax (SDLT), originally announced in July 2020 to boost the housing market during the coronavirus (COVID-19) pandemic, will not cease on 31 March 2021 and will **continue until 30 June 2021**.

A further 'temporary period' between **1 July and 30 September 2021** will see the nil-rate band drop to **£250,000**. From 1 October 2021, the nil-rate band is projected to return to £125,000.

OTHER KEY POINTS

- SDLT only applies in England and Northern Ireland – for Scotland and Wales taxes, please consult their relevant Budgets for the latest updates.
- The nil-rate band extension applies to residential property only – there is no extension to the nil-rate band for mixed property or commercial property purchases, where the threshold remains at £150,000.
- However, the nil-rate band extension potentially applies to any purchaser – not just to individuals buying their main residence, but to any purchaser who acquires or leases residential property.

4. Corporation Tax increases from 1 April 2023

For more information, please go to: <https://www.gov.uk/government/publications/corporation-tax-charge-and-rates-from-1-april-2022-and-small-profits-rate-and-marginal-relief-from-1-april-2023/corporation-tax-charge-and-rates-from-1-april-2022-and-small-profits-rate-and-marginal-relief-from-1-april-2023>

The rate of Corporation Tax will remain at 19% until **31 March 2023**, before increasing to **25% from 1 April 2023** for companies with annual profits exceeding £250,000.

A '**small profits rate**' of **19%** will be introduced so that companies with annual **profits below £50,000** are not impacted by the change to the main rate.

Where a company's profits fall between £50,000 and £250,000, marginal relief provisions will apply to bridge the gap between the two rates.

5. MTD extended to all VAT-registered businesses from 1 April 2022

For more information, please go to: <https://www.gov.uk/government/publications/extension-of-making-tax-digital-for-vat/extension-of-making-tax-digital-for-vat>

The first phase of Making Tax Digital (MTD) for VAT was introduced in April 2019 for all VAT-registered businesses over the VAT threshold. It has now been announced that **all VAT-registered businesses** will need to submit VAT returns using an MTD-complaint method from **1 April 2022**.

6. Capital Allowance incentives for new assets from 1 April 2021

For more information, please go to: <https://www.gov.uk/government/publications/new-temporary-tax-reliefs-on-qualifying-capital-asset-investments-from-1-april-2021/new-temporary-tax-reliefs-on-qualifying-capital-asset-investments-from-1-april-2021>

Temporary incentives will be introduced for companies purchasing new assets between **1 April 2021** and 31 March 2023. Companies will be able to claim a 'super-deduction' **130% relief** on the acquisition of most **new plant and machinery** assets.

In addition, a **50% first year allowance** will be available for expenditure on **new Special Rate** assets, including integral features such as electric and water systems.

OTHER KEY POINTS

- Second-hand assets, operating lease assets, and cars are **excluded** from these measures.
- The Annual Investment Allowance will continue to apply to give 100% relief on the first £1 million of qualifying expenditure – the scheduled reduction of this amount has been postponed until 1 January 2022. ([More information here!](#))
- Supplementary rules will apply for clawback of super-deductions if assets are disposed before 1 April 2023.
- Only companies within the charge to Corporation Tax can qualify for these incentives – sole trade businesses and partnerships will therefore not benefit.

7. Benefit in Kind increases for vans

For more information, please go to: <https://www.gov.uk/government/publications/income-tax-changes-to-benefit-charges-for-vans-and-the-fuel-benefit-charge-for-cars-and-vans/income-tax-changes-to-benefit-charges-for-vans-and-the-fuel-benefit-charge-for-cars-and-vans>

From 6 April 2021, the flat-rate van benefit charge will **increase to £3,500**, and the flat-rate van fuel benefit charge will **increase to £669**.

The electric vehicle Benefit in Kind percentage will rise to **1% in 2021/22**, and then 2% in 2022/23 as planned.

8. Extension for utilising 2020/21 and 2021/22 trading losses

For more information, please go to: <https://www.gov.uk/government/publications/temporary-extension-to-carry-back-of-trading-losses-for-corporation-tax-and-income-tax/temporary-extension-to-carry-back-of-trading-losses-for-corporation-tax-and-income-tax>

Trading losses incurred by companies, partnerships, and sole traders in the **2020/21 and 2021/22** tax years will be allowed to be carried back against trading profits in the **previous three years** – an extension of 2 years to the usual 12-month period.

The amount of trading losses that can be carried back to the extended period will be **capped at £2 million**, whilst the amount remains unlimited for carrying back losses to the year immediately prior to the period in which they are incurred. However, the limit may be adjusted for group companies.

9. Extension in reduced VAT rate for hospitality sector businesses

For more information, please go to: <https://www.gov.uk/government/publications/introduction-of-a-new-reduced-rate-of-vat-for-hospitality-holiday-accommodation-and-attractions/introduction-of-a-new-reduced-rate-of-vat-for-hospitality-holiday-accommodation-and-attractions>

From 15 July 2020, a temporary **reduced VAT rate of 5%** has applied to eligible supplies by businesses in the hospitality sector, as a response to the coronavirus (COVID-19) pandemic. This was scheduled to end on 31 March 2021, but has now been **extended to 30 September 2021**.

From 1 October 2021 to 31 March 2022, the same supplies will then be eligible for a **new rate of 12.5% VAT**.

Eligible supplies include:

- any food and non-alcoholic beverages for consumption on your premises;
- hot takeaway food and non-alcoholic drinks; hotel and holiday accommodation;
- charge fees for tent and/or caravan pitches and associated camping facilities;
- certain visitor attraction admissions fees, such as theatres, fairs, zoos, museums, etc.

10. IR35 Off-Payroll working regulations come in from 6 April 2021

For more information, please go to: <https://www.gov.uk/guidance/understanding-off-payroll-working-ir35>

The IR35 off-payroll working regulations, originally announced to come in from 2020 but delayed due to coronavirus, will come in as planned from **6 April 2021**

However, further clarification has been provided by HMRC regarding the treatment of intermediaries. For more information, please visit the [GOV.UK website here](#).

11. Eight new 'freeports' announced across England

For more information, please go to: <https://www.gov.uk/government/publications/designation-of-freeport-tax-sites/designation-of-freeport-tax-sites>

Eight new freeport sites have been announced in England: East Midlands Airport, Felixstowe and Harwich, Humber, Liverpool City Region, Plymouth, Solent, Thames, and Teesside.

A 'freeport' is a special trade zone where, in an attempt to incentivise investment and boost employment, businesses can benefit from special tax reliefs, rates, and customs tariff benefits including:

- New or unused plant and machinery purchases prior to 30 September 2026 for use within a freeport site will **qualify for Enhanced Capital Allowances (ECA)** – providing tax relief for 100% of the expenditure in the same tax period in which it was incurred. ([More information here!](#))
- An **enhanced rate of Structures and Buildings Allowance (SBA)** will be available for businesses which construct or renovate non-residential buildings within freeport zones, where the building is brought into use by September 2026. ([More information here!](#))
- **Stamp Duty Land Tax (SDLT) relief** will be available on the purchase of land and buildings within a freeport site, providing it is used for a qualifying commercial purpose. ([More information here!](#))
- New or existing businesses relocating to within a freeport zone will qualify for **full Business Rates relief**, with partial relief available for certain existing businesses in freeports that undergo expansion.
- There is an intention to introduce **employer NI contributions relief** for eligible workers in freeport sites applying from April 2022.
- Proposed customs benefits, including possibility of duty suspension, duty inversion, duty exemption on re-exports, and simplification of customs procedures.

12. New incentive grants for businesses hiring new apprentices up to £3,000 per apprentice

For more information, please go to: <https://www.gov.uk/guidance/incentive-payments-for-hiring-a-new-apprentice>

Businesses hiring new apprentices between 1 April and 30 September 2021 may be able to receive up to **£3,000 per hire**.

13. Coronavirus Job Retention Scheme (CJRS) extended

For more information, please go to: <https://www.gov.uk/government/publications/changes-to-the-coronavirus-job-retention-scheme/changes-to-the-coronavirus-job-retention-scheme>

The Coronavirus Job Retention Scheme (CJRS) currently allows employers to claim up to 80% of an employee's salary if they are placed on furlough due to the effects of the coronavirus (COVID-19) pandemic.

The scheme was due to end on 30 April 2021, but has now been **extended until 30 September 2021**. As in previously seen iterations of the scheme, **employers will be obligated to contribute** to furlough pay from 1 July 2021, initially at 10%, then increasing to 20% from 1 August 2021.

14. Fourth and fifth Self-Employed Income Support Scheme (SEISS) grants announced

For more information, please go to: <https://www.gov.uk/government/publications/self-employment-income-support-scheme-grant-extension/self-employment-income-support-scheme-grant-extension>

The fourth Self-Employed Income Support Scheme (SEISS) grant will relate to the February to April 2021 period, and will be available to be **claimed in late April 2021**. The grant will be assessed on **80% of 3 months' average trading profits**, capped at £7,500.

A **fifth SEISS grant**, relating to the May to September 2021 period, will be available later in year, with value based on turnover test.

A new requirement for both grants is that claimants **must have filed their 2019/20 tax return** (due for filing on 31 January 2021), and so newly self-employed individuals who may have been ineligible for previous grants may be eligible to claim this grant.

15. New Recovery Loan Scheme (RLS) announced

For more information, please go to: <https://www.gov.uk/guidance/recovery-loan-scheme>

As previous loan schemes such as the Bounce Back Loan Scheme (BBLs) and Coronavirus Business Interruption Loan Scheme (CBILs) come to an end on 31 March 2021, a **new Recovery Loan Scheme (RLS)** is set to be launched, expected to last until December 2021.

The RLS will provide lenders with a guarantee of **80% on eligible loans between £25,000 and £10 million**. It will be open to most UK businesses – this excludes banks and building societies, insurers, public sector bodies, and state funded schools.

Businesses who have already received support under the existing guaranteed loan schemes may still be eligible for the RLS.

16. Further business rates relief for some retail, hospitality, and leisure businesses in England

For more information, please go to: <https://local.gov.uk/parliament/briefings-and-responses/budget-2021-day-briefing#business-rates>

Eligible retail, hospitality, and leisure businesses in England will receive **100% relief** on their business rates until **30 June 2021**. For rates applying to the period **1 July 2021 – 31 March 2022**, a **66% relief** may apply, subject to further eligibility criteria.

Further legislation is likely to be implemented so that business rates relief repayments will be deductible for Corporation Tax and Income Tax purposes. For more information on this, go to the [GOV.UK website here](#).

17. 'Restart grants' to be made available in England for some retail, hospitality, and leisure businesses

For more information, please go to: <https://local.gov.uk/parliament/briefings-and-responses/budget-2021-day-briefing#restart-grants->

New grants will be available in England from April 2021 for some **retail, hospitality, and leisure** businesses, tied to the rateable value of their premises. It is expected that **up to £6,000** per premises will be given to non-essential retail businesses, and **up to £18,000** per premises will be given to hospitality, leisure, and similar businesses.

Grants will be administered by local authorities. A further £425 million will be made available for businesses not eligible under the above rules, but which have still been affected by lockdown restrictions.

18. Extension for Income Tax and NIC exemptions for employers paying for coronavirus antigen tests

For more information, please go to: <https://www.gov.uk/government/publications/extension-to-the-income-tax-and-national-insurance-contributions-exemption-for-employer-provided-and-employer-reimbursed-coronavirus-antigen-tests/extension-to-the-income-tax-and-national-insurance-contributions-exemption-for-employer-provided-and-employer-reimbursed-coronavirus-antigen-tests>

During 2020/21 tax year, payments made by employers reimbursing (or providing advance payments to) employees for coronavirus antigen tests have been exempt from Income Tax or National Insurance contributions.

This has now been extended into the 2021/22 tax year.