

WHYFIELD

Spring Budget 2021

Your tax year overview



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As an accountancy practice we always look forward to the budget - it gives us a good outlook of the year ahead. This year, as we listened to the Chancellor's plans with the additional business support currently required across all sectors, it was very clear that our clients will have more needs to meet, more concerns over funding and a lot more questions.

With the start of the new fiscal year, now is the time to prepare for all of the changes. Consider this as a guide to tax and support for your business for 2021/22. We have gathered some of the key points from the Chancellor's Spring Budget 2021 that we hope will give you an insight into the changes coming over the next 12 months.



TAX

Key Points

- Personal tax allowances will be frozen
- Thresholds for VAT, capital gains and IHT stays the same
 - Corporation Tax to increase to 25%
 - Tax losses to carry back for 3 years
- Business investment for the next 2 years can reduce tax bill by 130%
 - No increases to alcohol or fuel duty
- Business schools being launched with subsidised costs of up to 90%

Personal Allowance

The Government announced it will go ahead with its plan to increase the Personal Allowance and the basic rate limit. For the 2021/22 year, we will see the allowance increase to £12,570 with the basic rate rising to £37,700. The Higher Rate threshold will also increase to £50,270.

The Personal Allowance, basic rate and higher rate will remain the same for the 2022/23, 2023/24, 2024/25 and 2025/26 years, after which they will rise in-line with consumer price index.

National Insurance contributions

NICs thresholds will rise with CPI bringing the Primary Threshold to £9,568 and the Upper Earnings Limit to £50,270 in-line with the higher rate threshold for the 2021/22 year.

The Upper Earnings Limit will remain at £50,270 until April 2026 with other thresholds to be set at future fiscal events.

Capital Gains

The amount payable for Capital Gains Tax will remain at £12,300 for individuals, personal representatives and some types of trusts and £6,150 for most trusts until April 2026.

Corporation Tax

From April 2023, the rate of corporation tax will increase to 25% on profits over £250,000. The rate for small profits under £50,000 will remain at 19% and there will be tapered relief for businesses with profits between £50,000 to £250,000 so that they pay less than the main rate.

Duties

For the next year, duty rates on alcohol (beer, wine, cider and spirits) as well as fuel will remain frozen. The decision to freeze alcohol duty was made in an attempt to support the hospitality industry as it recovers financially from the pandemic.

Future fuel duty rates are to be considered based on the progression of the UK's commitment to reach net-zero emissions by 2050.

VAT Deferral

Taken advantage of the original VAT deferral? If so, you would be eligible to opt for the VAT Deferral New Payment Scheme if you have deferred VAT payments between March and June 2020. This allows you to pay deferred VAT across equal payments from the month joined, rather than in one large payment, as it was originally announced.

For example; if you joined the New Payment Scheme in April, your payments would be spread over 10 months. If you joined the New Payment Scheme in May, your payments would be spread over 9 months, and so forth.

The original VAT deferral was a deferral for VAT returns from 20 March to the end of June 2020. The VAT Deferral New Payment Scheme is open until 21 June 2021.

Stamp Duty Extension

The stamp duty holiday deadline of 31 March 2021 has extended. The current £500,000 nil-rate band applies until 30 June 2021. After this date it continues, but at a reduced rate of £250,000 between 1 July and 30 September 2021. From 1 October, the £125,000 threshold will be reinstated.

Super-Deduction

From 1 April 2021, companies investing in qualifying new plant and machinery assets will benefit from a 130% first-year capital allowance. This super-deduction allows companies to cut their tax bill by up to 25p for every £1 invested. Investing companies will also benefit from a 50% first-year allowance for qualifying special rate assets.

Business Support

Key Points

- Furlough Scheme and SEISS extended until the end of September
- Fourth and fifth SEISS grants from April to September of up to 80%
- Employer subsidy of 10% in July and 20% in August and September
 - Universal credit uplift will continue for an extra 6 months
 - National Living Wage to increase to £8.91 in April
 - The apprentice incentive payment has been doubled
 - New restart grant in April for non-essential retail
 - Recovery loan scheme for any size business
 - 100% business rates holiday for April – June
 - Stamp duty extension

Extension to the Furlough Scheme

The Coronavirus Job Retention Scheme (CJRS) has been extended until the end of September 2021. The Government will continue to pay 80% of employees' normal wages for any hours not worked, but these will continue to be capped at £2,500 per month, until the end of June 2021.

From July, the grant covers 70% of employees' normal wages for any hours not worked, up to a cap of £2,187.50. In August and September, this is reduced to cover 60% of employees' normal wages up to a cap of £1,875.

Employers will need to continue to pay their furloughed employees at least 80% of their usual wages for the hours they do not work during this time. Pay will be capped up to £2,500 per month. This means for periods between July and September, employers will need to fund the difference between this and the CJRS grants themselves. Employers can also top up wages above 80% if they wish, but they are not required to do so.

CJRS Eligibility

For periods from 1 May 2021 onwards, employers will be able to claim for eligible employees who were on employers' PAYE payrolls on 2 March 2021. This means they must have made a PAYE Real Time Information (RTI) submission to HMRC between 20 March 2020 and 2 March 2021, notifying them of earnings for that employee.

You don't need to have benefited from the scheme before to make a claim, as long as you meet the eligibility criteria.

Self-Employment Income Support Scheme

The Government announced plans for SEISS and how it will continue until September 2021. The next two grants in the scheme will take into account submitted 2019/20 tax returns meaning you may still be able to claim, even if you weren't eligible for previous grants. You must, however, have submitted your 2019-20 tax return by 2 March 2021.

The Fourth Grant

The UK Government will pay a taxable grant which is calculated based on 80% of three months average trading profits, paid out in a single payment and capped at £7,500 in total. The value of the grant is based on an average of your trading profits for up to four tax years between 2016 to 2020, where available.

The grant is available to claim from late April but as with previous grants, trading profits must be no more than £50,000 and at least equal to non-trading income in order to claim the fourth SEISS grant.

Eligibility for the fourth SEISS grant will also depend on whether you experienced a significant financial impact from coronavirus between February 2021 and April 2021.

All who are eligible to claim will receive a personal claim date from HMRC from mid-April. This confirms the earliest date you can claim from. The online claims service will then go live in late April and you must make your claim between your personal claim date and 31 May 2021.

The Fifth Grant

A fifth and final SEISS grant will be available, covering May to September. The amount given in this grant will be determined by how much your turnover has been reduced.

It will be worth 80% of three months average trading profits, but will be capped at £7,500 for those with a higher reduction in turnover (30% or more). If you are eligible, you will be able to claim the fifth grant from late July.

Recovery Loan Scheme

The Government will provide a guarantee of 80% on eligible loans to lenders from 6 April 2021. These loans will be between £25,000 and £10 million, aimed at supporting all businesses.

Restart Grants

Restart grants of up to £6,000 per premises for non-essential retail businesses and up to £18,000 per premises for businesses in hospitality, accommodation, leisure, personal care and gyms.

As an addition to the £1.6 billion that has already been allocated to all local authorities, an additional £425 million of funding for discretionary business grants will be provided bringing the total cost of this support to £5 billion.

Universal Credit Increase

The £20 per week increase to Universal Credit allowance has been extended for six months. The measure applies to all new and existing Universal Credit claimants.

Apprentice Incentive

Employers who hire new apprentices are receiving increased payments over a longer period of time. Hiring an apprentice was being rewarded with a £1,500 grant to the employer; this will now be doubled to £3,000.

This is to be given in addition to the existing £1,000 payment the Government already gives to employers for all new apprentices aged 16-18 years-old.

Sector Specific Support

The Government have put in place numerous support schemes to help the millions of businesses across all sectors to survive the coronavirus pandemic.

These sector specific measures have started to be put into place over the past year and are continuing to come in over 2021 since the road-map out of lockdown was laid out by the Prime Minister.

Eat Out to Help Out Scheme

As a way to protect the 1.8 million jobs in the hospitality sector, the Eat Out the Help Out scheme was introduced in 2020. Customers could get a 50% discount on their bill, up to the amount of £10. The scheme successfully encouraged people to return to restaurants to eat out with more than 160 million meals purchased during the scheme.

Scheme Status

This scheme closed on 31 August 2020. As it stands, it is not due to be reopened however it is expected to return once lockdown restrictions have been lifted.

Culture Recovery Fund

The Government have given £1.57 billion so far to cultural organisations that have been hard-hit by the pandemic including £188 million for the devolved administrations through the Barnett formula.

Scheme Status

An extra £300 million is being provided to the Culture Recovery Fund to further support the key national and local cultural organisations in England as the sector recovers.

Sports Winter Survival Package

This package was designed to provide support to professional sports through the winter period. £300 million was given to protect the immediate future of major spectator sporting events.

Charities Support Package

Support funding has been given to charities, totaling £750 million. This includes an amount of £60 million for the devolved administrations through the Barnett formula.

National Leisure Recovery Fund

This £100 million fund was introduced to support the publicly owned leisure facilities in England during the pandemic.

Zoos and Aquariums

£5 million of funding was given to 28 licensed zoos and aquariums to support them with animal care and maintenance while they remain closed.

Scheme Status

The Zoo Animals fund has been extended for a further three months, until 30 June 2021. This will provide further, vital care for animals and maintenance for zoos.

Film and TV Production Restart Scheme

This scheme, worth £500 million, was started to enable screen production to continue to operate in the UK safely during the pandemic.

Scheme Status

The Film and TV Production Restart Scheme has been extended for six months, supporting the UK screen production industry until 31 December 2021.

WHYFIELD

Want to speak to us?

If you have any questions about the information in this booklet please contact our team.

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Visit our website for more details and regular updates on business and Coronavirus support.

www.whyfield.co.uk