

In FY2021, Chancellor-Rishi Sunak brought his second Budget with updates to the ongoing Covid support measures, extending the furlough and SEISS schemes and announcing additional support to help businesses reopen as the economy starts to reopen. Other announcements of note include the new Super Deduction, an enhanced capital allowance that allows businesses to claim 130% of their new machinery cost, and also the significant increase to Corporation Tax in 2023.

### **Ongoing COVID Support**

#### **Furlough Scheme confirmed to run until end of September**

No change for employees until the scheme ends. Employers will be expected to pay 10% towards the hours their staff do not work in July, increasing to 20% in August and September. Employers will need to continue to fund employer NICs and mandatory minimum automatic enrolment pension contributions.

The Chancellor has also extended eligibility for the scheme. For periods starting on or after 1 May 2021, employers can claim for employees who were employed on 2 March 2021, as long as a PAYE Real Time Information (RTI) submission was made between 20 March 2020 and 2 March 2021, notifying a payment of earnings for that employee.

#### **Self-Employment Income Support Scheme**

The Budget confirmed details of a fourth grant. This will be 80% of three months' average trading profits to be claimed from late April 2021. Payment will be in a single instalment capped at £7,500 in total and will cover the period February to April 2021. The scheme has been extended to those who have filed a 2019/20 self-assessment tax return prior to 3 March 2021. This means that the newly self-employed from April 2019 now qualify subject to satisfying the other conditions.

A fifth and final grant was announced and can be claimed from late July 2021 to cover the period May to September 2021. This grant will be determined by a turnover test. Where the self-employed business turnover has fallen by 30% the grant will be worth 80% of three months' average trading profits capped at £7,500. People whose turnover has fallen by less than 30% will receive a 30% grant, capped at £2,850.

#### **Universal Credit**

The government is extending the temporary £20 per week increase for a further six months.

#### **Working Tax Credit**

The government is making a one-off payment of £500 to eligible Working Tax Credit claimants to provide extra support over the next six months.

#### **Business Rates**

The government will continue with the 100% business rates holiday through to the end of June. For the remaining nine months of the year, business rates will still be discounted by two thirds, up to a value of £2m for closed businesses.

#### **Support for businesses to reopen**

Restart Grant announced to help struggling High Street shops and hospitality firms in England reopen after lockdown. The level of grant available depends on the sector. Confirmed that non-essential

outlets due to re-open in April will receive up to £6,000 per premises and £18,000 for gyms, personal care providers and other hospitality and leisure businesses.

### **Recovery Loan Scheme**

From 6 April 2021, the Recovery Loan Scheme will provide lenders with a guarantee of 80% on eligible loans between £25,000 and £10 million to give them confidence in continuing to provide finance to UK businesses. The scheme will be open to all businesses, including those who have already received support under the existing COVID-19 guaranteed loan schemes.

## **Tax**

### **Super Deduction**

For the next two years (effective from 1 April 2021), when companies invest in plant and machinery, they can claim 130% of their new machinery cost to reduce their tax bill. There is also a 50% deduction for qualifying assets if they are in the special rate pool. This relief is not available for unincorporated businesses.

### **Corporation Tax**

Corporation Tax on company profits will increase from 1 April 2023. This rate will rise to 25% but only on companies making over £250,000 in profit. Corporation Tax for companies with profits of £50,000 or less will remain at 19%. There will then be a tapered rate for companies with profit between £50,000 and £250,000

### **Extension of Corporation Loss carry back rules**

A temporary extension of the period over which businesses may carry trading losses back for relief against profits of earlier years to get a repayment of tax paid will have effect for company accounting periods ending in the period 1 April 2020 to 31 March 2022 and for tax years 2020/21 and 2021/22 for unincorporated businesses.

Trade loss carry back will be extended from the current one-year entitlement to a period of three years, with losses being carried back against later years first. For companies, after carry back to the preceding year, a maximum of £2 million of unused losses will be available for carry back against profits of the same trade to the earlier two years. This £2 million limit applies separately to the unused losses of each 12-month period within the duration of the extension.

For individuals a separate £2 million cap will apply to the extended carry back of losses made in each of the tax years 2020/21 and 2021/22. The £2 million limit applies separately to the unused losses of each tax year within the duration of the extension. Income Tax payers will not be subject to a partnership-level limit.

### **VAT in hospitality and tourism**

VAT cut to 5% in hospitality and tourism has been extended to 30 September 2021. This will then rise to 12.5% from 1 October 2021 to 31 March 2022, returning to 20% at this point.

### **Capital gains tax (CGT) rates**

No changes to the current rates of CGT have been announced at Budget 2021, although the annual exemption has been frozen at £12,300. This means that the rate remains at 10%, to the extent that any income tax basic rate band is available, and 20% thereafter. Higher rates of 18% and 28% apply

for certain gains; mainly chargeable gains on residential properties with the exception of any element that qualifies for Private Residence Relief. There are two specific types of disposal which potentially qualify for a 10% rate up to a lifetime limit for each individual:

- Business Asset Disposal Relief (BADR) (formerly known as Entrepreneurs' Relief). This is targeted at directors and employees of companies who own at least 5% of the ordinary share capital in the company, provided other minimum criteria are also met, and the owners of unincorporated businesses.
- Investors' Relief. The main beneficiaries of this relief are external investors in unquoted trading companies who have newly-subscribed shares.

The lifetime limit for BADR was reduced from £10 million to £1 million for BADR qualifying disposals made on or after 11 March 2020. Investors' Relief continues to have a lifetime limit of £10 million

### **Off-payroll working in the private sector**

New tax rules are soon to come into force for individuals who provide their personal services via an 'intermediary' to a medium or large business. The new rules apply to payments made for services provided on or after 6 April 2021.

The off-payroll working rules apply where an individual (the worker) provides their services through an intermediary (typically a personal service company) to another person or entity (the client). The client will be required to make a determination of a worker's status and communicate that determination. In addition, the fee-payer (usually the organisation paying the worker's personal service company) will need to make deductions for income tax and NICs and pay any employer NICs.

The legislation uses an existing statutory definition within the Companies Act of a 'small company' to exempt small businesses from the new rules. A small company is one which meets two of these criteria:

- a turnover of £10.2 million or less
- having £5.1 million on the balance sheet or less
- having 50 or fewer employees.

If the business receiving the work of the individual is not a company, it is only the turnover test that will apply.

In the Budget the government announced minor technical changes to improve the operation of the rules, in response to feedback from stakeholders, which will be legislated for in Finance Bill 2021. The government will make changes to the rules regarding provision of information by parties in the labour supply chain.

### **Research and Development (R&D) tax relief**

A cap on the amount of R&D tax credit which can be paid to a loss-making small or medium-sized enterprise (SME) will be introduced for accounting periods which commence on or after 1 April 2021.

Prior to the introduction of the cap, loss-making SMEs incurring qualifying expenditure on R&D activities are allowed to make a claim to surrender the unrelieved loss for a payable tax credit of up to 14.5%. For accounting periods commencing on or after 1 April 2021, payable tax credits are restricted to £20,000 plus three times the company's relevant expenditure on workers.

Relevant expenditure on workers is the company's PAYE and NICs for the period and importantly this is the company's whole PAYE and NIC liability. In addition, if the company is supplied with workers by a connected company the relevant workers' expenditure is extended to include a proportion of those worker costs. Some companies which create or manage intellectual property and spend less than 15% with connected persons on R&D qualifying expenditure will be exempt from this cap.

### **Duties on alcohol and fuel**

All alcohol duties on Scotch whisky, wine, cider and beer will be frozen and the planned increase on fuel duty is also cancelled.

### **Property**

#### **Stamp Duty Holiday extended**

The new £500,000 nil rate band for Stamp Duty will not end on 31st March as originally planned, instead it will end on the 30th June. Then, to smooth the transition back to normal, the nil rate band will be £250,000, double its standard level, until the end of September 2021.

#### **Mortgage guarantee scheme**

The government will introduce a new mortgage guarantee scheme in April 2021. This scheme will provide a guarantee to lenders across the UK who offer mortgages to people with a deposit of 5% on homes with a value of up to £600,000.

Under the scheme, all buyers will have the opportunity to fix their initial mortgage interest rate for at least five years should they wish to. The scheme, which will be available for new mortgages up to 31 December 2022, is designed to increase the availability of mortgages on new or existing properties for those with small deposits.

### **Personal Allowances**

#### **Frozen thresholds**

There will be no rise in the rates of income tax, national insurance, or VAT. Instead, there is a freeze to personal tax thresholds from next year following an increase as per the Conservative manifesto. The Personal Allowance will freeze at £12,570 and the Higher Rate threshold at £50,270 from April 2022 until April 2026.

The inheritance tax nil rate band, the pensions Lifetime Allowance and the Annual Exempt Amount for Capital Gains Tax will also be maintained at their existing levels until April 2026 and the VAT registration and deregistration thresholds will not change for a further period of two years from 1 April 2022.

### **For Employers**

#### **National Living Wage (NLW) and National Minimum Wage (NMW)**

The National Living Wage will increase by 2.2% and will be extended to 23 and 24 year olds for the first time. For workers aged under 23, the government has announced smaller increases in NMW in recognition of the risks to youth employment which the current economic situation poses.

From 1 April 2021, the new hourly rates of NLW and NMW are:

- £8.91 for those 23 years old and over

- £8.36 for 21-22 year olds
- £6.56 for 18-20 year olds
- £4.62 for under 18s
- £4.30 apprentice rate for apprentices under 19, and those 19 and over in their first year of apprenticeship.

The extension of the NLW to 23 and 24 year olds may catch out some employers. Employees in this category, if they are on the NMW rate, are currently being paid £8.20 an hour.

### **Enterprise Management Incentives (EMI) scheme**

At Budget 2020, the government announced a review of the EMI scheme to ensure it provides support for high-growth companies to recruit and retain the best talent so they can scale up effectively, and examine whether more companies should be able to access the scheme. As part of this review the government is publishing a consultation alongside the Budget.

### **High quality traineeships for young people**

The government will provide an additional £126 million in England for high quality work placements and training for 16-24 year olds in the 2021/22 academic year. Employers who provide trainees with work experience will continue to be funded at a rate of £1,000 per trainee.

### **Payments for employers who hire new apprentices**

The government will extend and increase the payments made to employers in England who hire new apprentices. Employers who hire a new apprentice between 1 April 2021 and 30 September 2021 will receive £3,000 per new hire, compared with £1,500 per new apprentice hire (or £2,000 for those aged 24 and under) under the previous scheme.

This is in addition to the existing £1,000 payment the government provides for all new 16-18 year-old apprentices and those aged under 25 with an Education, Health and Care Plan, where that applies.

### **Other Announcements**

#### **Freeports**

In 2020 the government consulted on proposals to create up to ten Freeports across the UK. The government is now proposing a range of measures covering customs, tax reliefs, planning, regeneration funding and innovation to create Freeports as national hubs for global trade and investment across the UK.

A UK Freeport will be a geographical area with a diameter up to 45km which is closely linked to a sea port, airport or rail port. East Midlands Airport, Felixstowe & Harwich, Humber, Liverpool City Region, Plymouth and South Devon, Solent, Teesside and Thames have been successful in the Freeports bidding process for England. The government is working with devolved administrations to establish Freeports in each of the nations.

#### **Contactless payment card limit**

Following a public consultation by the Financial Conduct Authority, the government has approved an increase to the legal contactless payment limits previously set by the European Commission. This will allow banks to support single contactless payments up to £100, and cumulative contactless payments

up to £300, without the need for customers to input their chip and pin. The government hopes the banking industry will implement the new limits later this year.