

Guide from



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## A simple guide to Budget 2021

Think Ahead



This is a basic guide, prepared by ACCA's Technical Advisory team, for members and their colleagues or clients. It's an introduction only and should not be used as a definitive guide, since individual circumstances may vary. Specific advice should be obtained, where necessary.

The message from the Chancellor was that this is a Budget with three aims:

- protecting the jobs and livelihoods of the British people
- strengthening the public finances
- supporting an investment-led recovery

You can read the individual measures and details of some of the numerous consultations below.

### Rates and allowances

	2021/22	2020/2021
	£	£
<b>Income tax rates (non-dividend income)</b>		
0% lower rate tax – savings rate only	Up to 5,000	Up to 5,000
20% basic rate tax	12,571 to 50,270	12,501 to 50,000
40% higher rate tax	50,271 to 150,000	50,001 to 150,000
45% additional rate tax	Above 150,000	Above 150,000
<b>Scottish income tax rates (non-dividend income)</b>		
19% starting rate tax	12,571 to 14,667	12,501 to 14,585

20% basic rate tax	14,668 to 25,296	14,586 to 25,158
21% intermediate rate tax	25,297 to 43,662	25,159 to 43,430
41% higher rate tax	43,663 to 150,000	43,431 to 150,000
46% top rate	Above 150,000	Above 150,000
<b>Personal allowance</b>		
Personal allowance	12,570	12,500

### **Capital gains tax annual exempt amount (after personal allowance)**

These are frozen at £12,300 for individuals and £6,150 for trusts.

### **Dividend allowance**

The tax-free dividend allowance is unchanged at £2,000.

### **Corporation tax**

The corporation tax rate will remain at 19% but from April 2023 the applicable corporation tax rates will be 19% and 25%. Businesses with profits of £50,000 or below will still only have to pay 19% under the small profits rate.

### **Grants – restart**

‘Restart Grants’ are available in England of up to £6,000 per premises for non-essential retail businesses and up to £18,000 per premises for hospitality, accommodation, leisure, personal care and gym businesses

### **Grants - export**

The SME Brexit Support Fund grant provides up to £2,000 to help with training or professional advice.

### **Enhanced capital allowances: super deduction**

This introduces increased reliefs for expenditure on plant and machinery. For qualifying expenditures incurred from 1 April 2021 up to and including 31 March 2023, companies can claim in the period of investment:

- a super-deduction providing allowances of 130% on most new plant and machinery investments that ordinarily qualify for 18% main-rate writing-down allowances
- a first-year allowance of 50% on most new plant and machinery investments that ordinarily qualify for 6% special rate writing down allowances

### **Annual investment allowance (AIA)**

Companies will be able to claim £1m as AIA for expenditure incurred from 1 January 2019 to 31 December 2021. The announcement was made in November and before the ‘super deduction’.

### **Apprenticeship funding**

Apprenticeship incentive payments for employers will increase to £3,000 per new hire until September 2021.

### **Making tax digital (MTD)**

There were no announcements on MTD except that the government will publish an evaluation on the introduction of MTD for VAT, expected on 23 March.

## VAT

	2021/22	2020/21
	£	£
<b>VAT</b>		
Standard rate	20%	20%
Registration threshold	85,000	85,000
Deregistration threshold	83,000	83,000

The VAT registration and deregistration thresholds will not change for a further period of two years from 1 April 2022.

The reduced rate of VAT of 5% to the hospitality, holiday accommodation and attractions sector is extended until 30 September 2021. After this date, the VAT rate will be 12.5% to the end of 31 March 2022, before returning to the standard rate of VAT of 20% from 1 April 2022.

### VAT deferral

Businesses with outstanding VAT from last year may join the VAT deferral new payment scheme to spread their payments. The online service is open until 21 June 2021.

### Coronavirus Job Retention Scheme (CJRS)

An extended version of the CJRS provides further support for employees until the end of September 2021.

### Self-Employment Income Support Scheme (SEISS)

A fourth grant will open from late April and will be available until 31 May 2021, and will include those self-employed in the tax year 2019/20, with the SEISS being available for a 5<sup>th</sup> grant until September 2021 based on turnover.

### Losses

Trading losses will have more flexibility to carry them back over three years. This applies only for losses incurred by companies for accounting periods ending between 1 April 2020 and 31 March 2022, and for individual for trade losses of tax years 2020/21 and 2021/22.

### Entrepreneurs' relief

The lifetime limit on gains eligible for entrepreneurs' relief is £1m for qualifying disposals.

### Employment allowance reform

The allowance is £4,000 but continues to be limited to employers with an employer NIC bill below £100,000 in the previous tax year.

### Statutory sick pay (SSP)

Small and medium-sized employers across the UK will continue to be able to reclaim up to two weeks of eligible SSP costs per employee. As with other pandemic-related business support schemes, the government will set out steps for closing this scheme in due course.

### Apprenticeships

SMEs should register on the [apprenticeship employer hub](#) before the end of the month to benefit from apprenticeship levy funding. You can find out more about [ACCA Apprenticeship Programmes](#).

## R&D

From 1 April 2021, SMEs applying for R&D tax credits will be eligible to a maximum of £20,000 in repayments per year plus three times the company's total PAYE and NIC liability.

## Inheritance tax (IHT)

The nil-rate band remains at £325,000. The residence nil-rate band for deaths in the following tax years are:

- £100,000 in 2017/18
- £125,000 in 2018/19
- £150,000 in 2019/20
- £175,000 in 2020/21
- £175,000 in 2021/22

## Time to pay

Taxpayers can set up a payment plan online via GOV.UK.

## Pensions

The pension lifetime allowance will remain at its current level of £1,073,100 until April 2026.

### Rates

100% relief for businesses in retail, hospitality and leisure in England continues until June 2021. From July 2021 to March 2022, these business will pay a reduced rate of 33%.

Businesses in England closed due to national lockdowns from 5 January 2021 onwards, or between 5 November and 2 December 2020, may be eligible for grants.

## Interest relief for landlords

Landlords will be able to obtain relief as follows:

	Finance cost allowed in full	Finance cost allowed at basic rate
Year to 5 April 2020	25%	75%
Year to 5 April 2021	0%	100%

## Stamp duty land tax (SDLT)

Non-UK residents are to pay 2% surcharge SDLT on residential property purchases from April 2021. The SDLT nil-rate band of £500,000 for residential property purchases in England and Northern Ireland will be extended to June 2021, reducing to £250,000 from July to September and reverting to £125,000 from October 2021.

## Annual tax on enveloped dwellings (ATED)

The ATED charges increase automatically each year in line with inflation (based on the previous September's Consumer Prices Index).

	2021/22	2020/21
	£	£
<b>Annual tax on enveloped dwellings (ATED)</b>		
More than £0.5m but not more than £1m	3,700	3,700
More than £1m but not more than £2m	7,500	7,500
More than £2m but not more than £5m	25,300	25,200
More than £5m but not more than £10m	59,100	59,850
More than £10m but not more than £20m	118,600	118,050
More than £20m	237,400	236,250

March 2021

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