2021 BUDGET

A SUMMARY STATEMENT FROM THE CHANCELLOR

REPORT

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BUSINESS ADVISERS | ACCOUNTANTS

The Chancellor Rishi Sunak presented his second Budget on Wednesday 3 March 2021. In his speech he stated his Budget 'meets the moment with a three-part plan to protect the jobs and livelihoods of the British people'.

Main Budget proposals

Tax measures include:

- a super-deduction for companies investing in new plant and machinery
- a time extension of the temporary increase to the SDLT nil rate band for residential property in England and Northern Ireland
- an extension to the temporary 5% reduced rate of VAT for certain supplies
- a temporary increase in the carry-back period for business losses
- an increased rate of corporation tax from 2023.

Other measures include:

- a new mortgage guarantee scheme
- extension to the Job Retention Scheme
- a Self-Employment Income Support Scheme fourth and fifth grant
- an extension to the business rates holiday in England.

Previously announced measures include:

- a cap on the amount of R&D tax credit paid to a loss-making small or medium-sized enterprise
- new rules apply to off-payroll working payments made for services provided on or after 6 April 2021.

Some Budget proposals may be subject to amendment in the 2021 Finance Act. You should contact us before taking any action as a result of the contents of this summary.

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Personal Tax

The personal allowance

The personal allowance is currently £12,500. Budget 2018 announced that the allowance would remain at the same level until 2020/21 and the statutory provision to increase the allowance annually by CPI was to be overridden. The Chancellor has confirmed that the personal allowance will increase by CPI (0.5%) for 2021/22 to £12,570.

There is a reduction in the personal allowance for those with 'adjusted net income' over £100,000. The reduction is £1 for every £2 of income above £100,000. So for the current tax year there is no personal allowance where adjusted net income exceeds £125,000. For 2021/22 there will be no personal allowance where adjusted net income exceeds £125,140.

The Chancellor announced that the personal allowance will be frozen at £12,570 for the tax years 2022/23 to 2025/26.

The marriage allowance

The marriage allowance permits certain couples, where neither pays tax at more than the basic rate, to transfer 10% of their personal allowance to their spouse or civil partner.

Comment

The marriage allowance reduces the recipient's tax bill by up to approximately £250 a year. The marriage allowance was first introduced for 2015/16 and there are couples who are entitled to claim but have not yet done so. It is possible to claim for all years back to 2016/17 where the entitlement conditions are met. The total tax saving for all years up until 2020/21 could be over £1,000. A claim for 2016/17 will need to be made by 5 April 2021.

Tax bands and rates

The basic rate of tax is 20%. In 2020/21 the band of income taxable at this rate is £37,500 so that the threshold at which the 40% band applies is £50,000 for those who are entitled to the full personal allowance.

The Chancellor announced that for 2021/22 the basic rate band will be £37,700 so that the threshold at which the 40% band applies will be £50,270 for those who are entitled to the full personal allowance. The Chancellor announced that the basic rate band will be frozen at £37,700 for the tax years 2022/23 to 2025/26. The National Insurance contributions Upper Earnings Limit and Upper Profits Limit will remain aligned to the higher rate threshold at £50,270 for these years.

Individuals pay tax at 45% on their income over £150,000.

Scottish residents

The tax on income (other than savings and dividend income) is different, for taxpayers who are resident in Scotland, from taxpayers resident elsewhere in the UK. The Scottish income

tax rates and bands apply to income such as employment income, self-employed trade profits and property income.

In 2020/21 there are five income tax rates which range between 19% and 46%. Scottish taxpayers are entitled to the same personal allowance as individuals in the rest of the UK. The two higher rates are 41% and 46% rather than the 40% and 45% rates that apply to such income for other UK residents. For 2020/21, the 41% band applies to income over £43,430 for those who are entitled to the full personal allowance. The 46% rate applies to income over £150,000.

In the Scottish Budget on 28 January 2021, the Scottish Government proposed that the Scottish income tax rates will be frozen for 2021/22. The thresholds for the tax bands will be increased by 0.5% except for the 46% rate threshold which remains at £150,000. So the 41% band will apply to income over £43,662 for those who are entitled to the full personal allowance.

Welsh residents

From April 2019, the Welsh Government has had the right to vary the rates of income tax payable by Welsh taxpayers. The UK government has reduced each of the three rates of income tax paid by Welsh taxpayers by 10 pence. For 2020/21 the Welsh Government has set the Welsh rate of income tax at 10 pence which has been added to the reduced rates. This means the tax payable by Welsh taxpayers is the same as that payable by English and Northern Irish taxpayers.

The Welsh Government has announced that the income tax rate will remain at 10 pence for 2021/22.

Tax on savings income

Savings income is income such as bank and building society interest.

The Savings Allowance applies to savings income and the available allowance in a tax year depends on the individual's marginal rate of income tax. Broadly, individuals taxed at up to the basic rate of tax have an allowance of £1,000. For higher rate taxpayers the allowance is £500. No allowance is due to additional rate taxpayers.

Some individuals qualify for a 0% starting rate of tax on savings income up to £5,000. However, the rate is not available if taxable non-savings income (broadly earnings, pensions, trading profits and property income, less allocated allowances and reliefs) exceeds £5,000.

Tax on dividends

The first £2,000 of dividends is chargeable to tax at 0% (the Dividend Allowance). Dividends received above the allowance are taxed at the following rates:

- 7.5% for basic rate taxpayers
- 32.5% for higher rate taxpayers
- 38.1% for additional rate taxpayers.

Dividends within the allowance still count towards an individual's basic or higher rate band and so may affect the rate of tax paid on dividends above the Dividend Allowance.

To determine which tax band dividends fall into, dividends are treated as the last type of income to be taxed.

Universal Credit

Universal Credit is a single payment that is made up of different amounts depending on an individual's circumstances. There is no entitlement if an individual's capital is worth more

than £16,000. Shortly after the 2020 Budget the Chancellor announced an increase in the Universal Credit standard allowance by £20 per week for one year.

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.

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.

Green National Savings and Investment (NS&I) product

The government will offer a green retail savings product through NS&I in the summer of 2021. This product will be closely linked to the UK's sovereign green bond framework and will give all UK savers the opportunity to take part in the collective effort to tackle climate change. The green gilt framework, to be published in June, will detail the types of expenditure that will be financed to meet the government's green objectives.

Venture Capital Schemes: extension of the Social Investment Tax Relief

The government will continue to support social enterprises that are seeking growth investment by extending the operation of Social Investment Tax Relief to April 2023. This will continue the availability of income tax relief and capital gains tax hold-over relief for investors in qualifying social enterprises.

Pensions Lifetime Allowance

The lifetime limit sets the maximum figure for tax-relieved savings that an individual can build up over their lifetime.

Legislation will be introduced to remove the annual link to the CPI increase for the next five years. This will maintain the standard Lifetime Allowance at £1,073,100 for tax years 2021/22 to 2025/26.

Employment

The Coronavirus Job Retention Scheme (JRS)

The current JRS allows an employer to place an employee on furlough and apply for a grant to cover wage costs for the time an employee is on furlough. The employer:

- can claim 80% of 'usual salary' for hours not worked, up to a maximum of £2,500 per employee (pro-rated for hours not worked) per month
- needs to fund employer National Insurance contributions (NICs) and the minimum employer automatic enrolment pension contributions.

In December 2020, the Chancellor extended the scheme until the end of April 2021.

Further extension of JRS

In Budget 2021 the Chancellor has further extended the scheme to 30 September 2021.

The level of grant available to employers under the scheme will stay the same until 30 June 2021.

From 1 July 2021, the level of grant will be reduced and employers will be asked to contribute towards the cost of furloughed employees' wages. To be eligible for the grant an employer must continue to pay furloughed employees 80% of their wages, up to a cap of £2,500 per month for the time they spend on furlough.

The reduction in the level of the grant means that the percentage recovery of furloughed wages will be as follows:

- for July 2021 70% of furloughed wages up to a maximum of £2187.50 and
- for August and September 2021 60% of furloughed wages up to a maximum of £1,875.00.

Employers will need to continue to fund employer NICs and mandatory minimum automatic enrolment pension contributions.

Comment

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.

Apprenticeships and traineeships

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.

Supporting apprenticeships across different employers

The government will introduce a £7 million fund from July 2021 to help employers in England set up and expand portable apprenticeships. This will enable people who need to work across multiple projects with different employers to benefit from the high quality long-term training that an apprenticeship provides.

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.

Comment

The Status Determination Statement (SDS) is a key part of the status determination procedure. The client must provide the SDS to the worker and should include not only the decision of the client but also the reasons underpinning it. The client must take 'reasonable care' in coming to its conclusion. If it doesn't, the statement is not a valid SDS

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.

Comment

These changes will make it easier for parties in a contractual chain to share information relating to the off-payroll working rules by allowing an intermediary, as well as a worker, to confirm if the rules need to be considered by the client organisation.

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.

Comment

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.

Van benefit charge nil-rating for zero-emission vans

From 6 April 2021, a nil rate of tax applies to zero-emission vans within the van benefit charge. In 2020/21 such vans have a van benefit charge at 80% of the standard flat rate of £3,490.

Comment

A zero-emission van is a van which cannot in any circumstances emit CO_2 emissions when driven. Governments have provided varying amounts of discounts from the van benefit charge for zero-emissions vans since 2010. We are now back to the policy which applied from 2010 to 2015 when there was no charge.

Temporary changes to legislation resulting from coronavirus

Easement for employer-provided cycles exemption

The government will legislate in Finance Bill 2021 to introduce a time-limited easement to the employer-provided cycle exemption to disapply the condition which states that employer-provided cycles must be used mainly for journeys to, from, or during work. The easement will be available to employees who have joined a scheme and have been provided with a cycle or cycling equipment on or before 20 December 2020.

The change will have effect on and after Royal Assent of Finance Bill 2021 and be in place until 5 April 2022, after which the normal rules of the exemption will apply.

Employer-reimbursed coronavirus tests

The government will legislate in Finance Bill 2021 to introduce a retrospective income tax exemption for payments that an employer makes to an employee to reimburse for the cost of a relevant coronavirus antigen test for the tax year 2020/21. Legislation will extend this exemption for the tax year 2021/22.

The change will have effect on and after Royal Assent of Finance Bill 2021. The corresponding NICs disregard is already in force and this will also be extended for the tax year 2021/22.

Extension of income tax exemption for COVID-19 related home office expenses

The government will, by secondary legislation, extend the temporary income tax exemption and Class 1 NICs disregard for employer reimbursed expenses that cover the cost of relevant home office equipment. The extended exemption will have effect until 5 April 2022.

Business

Coronavirus loan schemes

In 2020, the government introduced a number of government-guaranteed coronavirus loan schemes. In December 2020 the Chancellor extended, until the end of March 2021, access to the Bounce Back Loan Scheme, Coronavirus Business Interruption Loan Scheme and the Coronavirus Large Business Interruption Loan Scheme.

Budget 2021 announced a new loan scheme to be introduced to replace those coming to an end.

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.

Restart Grants

In addition Restart Grants will be provided 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. This will provide the cash certainty needed to plan ahead and safely relaunch trading over the coming months.

Self-Employment Income Support Scheme (SEISS)

Budget 2021 has 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.

Business rates

Business rates have been devolved to Scotland, Northern Ireland and Wales. All four nations have introduced 100% business rates relief mainly aimed at retail, leisure and hospitality businesses. Such businesses have not had to pay business rates from 1 April 2020 to 31 March 2021.

In a Scottish Budget update statement on 16 February, the Scottish Government proposed an extension to the relief for the retail, hospitality, leisure and aviation sectors until 31 March 2022.

The Chancellor has now announced a continuation of 100% business rates relief for eligible retail, hospitality and leisure properties in England to 30 June 2021. This will be followed by 66% business rates relief for the period from 1 July 2021 to 31 March 2022, capped at £2 million per business for properties that were required to be closed on 5 January 2021,

or £105,000 per business for other eligible properties. Nurseries will also qualify for relief in the same way as other eligible properties.

Following the Chancellor's announcement, the Welsh Finance Minister has extended the rates holiday for the retail, leisure and hospitality sectors in Wales for a further 12 months.

Rates review

The government announced at Budget 2020 that it would conduct a fundamental review of the business rates system in England. The government's objectives for the review are reducing the overall burden on business, improving the current business rates system and considering more fundamental changes in the medium-to-long term.

The government has recently announced the final report will be published in Autumn 2021 with an interim report published on 23 March.

Reduced VAT rate for hospitality sector

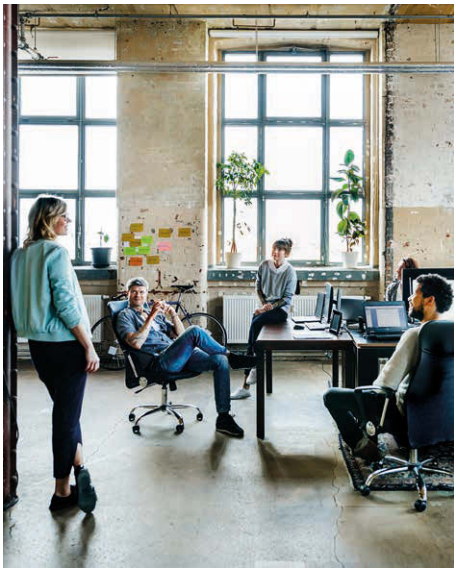
In July 2020, the government introduced a temporary 5% reduced rate of VAT for certain supplies of hospitality, hotel and holiday accommodation and admissions to certain attractions. In September 2020 the Chancellor extended the reduced rate to 31 March 2021. The government has now announced an extension of the reduced rate until 30 September 2021. To help businesses manage the transition back to the standard 20% rate, a 12.5% rate will apply for the subsequent six months until 31 March 2022.

Corporation tax rates

The main rate of corporation tax is currently 19% and it will remain at that rate until 1 April 2023 when the rate will increase to 25% for companies with profits over £250,000. The 19% rate will become a small profits rate payable by companies with profits of £50,000 or less. Companies with profits between £50,000 and £250,000 will pay tax at the main rate reduced by a marginal relief, providing a gradual increase in the effective corporation tax rate.

Comment

The main rate of corporation tax has been 19% since 1 April 2017. The rate for the Financial Year beginning on 1 April 2020 was due to fall to 17% but the Chancellor reversed this decision in Budget 2020.



Tax losses

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.

Super-deduction

Between 1 April 2021 and 31 March 2023, companies investing in qualifying new plant and machinery will benefit from new first year capital allowances.

Under this measure a company will be allowed to claim:

- 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.

This relief is not available for unincorporated businesses.

First year allowances for business cars from April 2021

Budget 2020 announced the extension of 100% first year allowances for zero-emission cars, zero-emission goods vehicles and equipment for gas refuelling stations by four years from April 2021.

CO_2 emission thresholds will also be amended from April 2021. These determine the rate of capital allowances available through which the capital expenditure for business cars can be written down. The thresholds will be reduced from 50g/km to 0g/km for the purpose of the first year allowances for low CO_2 emission cars and from 110g/km to 50g/km for the purpose of writing down allowances (WDAs) for business cars.

Comment

The reduction in thresholds will mean that only business cars acquired with CO_2 emissions of 0g/km will be eligible for first year allowances. Ultra-low emission vehicles which currently qualify for first year allowances if 50g/km or less will no longer qualify. They will be eligible for WDAs at the main rate (18%). Cars with CO_2 emissions exceeding 50g/km will be eligible for WDAs at the special rate (6%).

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.

Customs benefits

Within the Freeport there will be a primary customs site and perhaps custom subzones. A customs site or subzone provides customs and tariff benefits such as:

- duty deferral while goods remain on site
- duty inversion if the finished goods exiting the Freeport attract a lower tariff than their component parts

- subject to the UK's trade agreements, customs duty exemption on goods that are imported into a Freeport, processed into finished goods and subsequently re-exported
- simplified import procedures.

Tax benefits

Freeports may also have one or more tax sites within which tax reliefs will apply. The aim is for a single site and up to three tax sites may be allowed but the total area of the site(s) must not exceed 600 hectares. The tax site will likely be located on primarily underdeveloped land to generate new, additional productive activity in Freeport locations.

The intention is to offer:

- Stamp Duty Land Tax relief on land purchases within Freeport tax sites in England where that property is to be used for qualifying commercial activity
- a 10% rate of Structures and Buildings Allowance rather than the 3% rate that applies for businesses constructing or renovating structures and buildings for non-residential use
- enhanced tax relief for qualifying new plant and machinery assets for the full cost of the qualifying investment in the same tax period the cost was incurred
- 100% relief from business rates on certain business premises within Freeport tax sites in England.

Very broadly, the reliefs will apply for expenditure from various dates in 2021 to 30 September 2026.

In addition, a 0% rate of employer NICs on the salaries of any eligible employee working in the Freeport tax site is proposed. The relief is intended to be available for up to 9 years from April 2022.

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.

Capital Taxes

Capital gains tax (CGT) rates

No changes to the current rates of CGT have been announced at Budget 2021. 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.

CGT annual exemption

The CGT annual exemption will be maintained at the current 2020/21 level of £12,300 for 2021/22 and up to and including 2025/26.

Inheritance tax (IHT) nil rate bands

The nil rate band has been frozen at £325,000 since 2009 and this will now continue up to 5 April 2026. An additional nil rate band, called the 'residence nil rate band' (RNRB) which has been increased in stages and is now £175,000 for deaths in 2020/21 will also be frozen at the current level until 5 April 2026. A taper reduces the amount of the RNRB by £1 for every £2 that the 'net' value of the death estate is more than £2 million. Net value is after deducting permitted liabilities but before exemptions and reliefs. This taper will also be maintained at the current level.

Business assets and Gift Hold-Over Relief

Gift Hold-Over Relief operates by deferring the chargeable gain on the disposal when a person gives away business assets. The gain then comes into charge when the recipient disposes of the gifted asset. The recipient is treated as though they acquired the asset for the same cost as the person who gave them the asset.

A change to the relief ensures that Gift Hold-Over Relief is not available where a non-UK resident person disposes of an asset to a foreign-controlled company, controlled either by themselves or another non-UK resident with whom they are connected. This measure will affect disposals made on or after 6 April 2021.

Other Matters

Land and buildings transaction taxes

Land and buildings transaction taxes are devolved to Scotland (Land and Buildings Transaction Tax) and Wales (Land Transaction Tax). Stamp Duty Land Tax (SDLT) applies to transactions in England and Northern Ireland. All these taxes have had a temporary increase in the nil rate threshold for residential properties. The thresholds were set to return to the previous thresholds from 1 April 2021.

Budget announcement

The government will extend the temporary increase to the SDLT nil rate band for residential property in England and Northern Ireland to 30 June 2021. From 1 July 2021 until 30 September 2021, the nil rate band will be £250,000. The nil rate band will return to the standard amount of £125,000 from 1 October 2021.

Wales – Land Transaction Tax

Following the Chancellor's announcement, the Welsh Finance Minister has confirmed that the Land Transaction Tax temporary reduction period will be extended by a further three months so that it will end on 30 June 2021.

In December 2020, the Welsh Government changed the rates charged on higher rates residential property transactions and non-residential transactions including the rent element of non-residential and mixed leases. The changes to the higher residential rates have the effect of increasing the tax rates applied to the bands by 1%. For non-residential transactions, changes have been made to the bands so as to increase the nil rate thresholds. These changes came into effect on 22 December 2020.

SDLT surcharge

New SDLT rates are proposed for purchasers of residential property in England and Northern Ireland who are not resident in the UK. The new rates will be 2% higher than those that apply to purchases made by UK residents, and will apply to purchases of both freehold and leasehold property as well as increasing SDLT payable on rents on the grant of a new lease. The surcharge will apply to land transactions with an effective date of 1 April 2021 or later. Transitional rules may apply to some contracts exchanged before 11 March 2020 but completed or are substantially performed on or after 1 April 2021, or some contracts substantially performed on or before 31 March 2021 but not completed until 1 April 2021 or later.

Plastic Packaging Tax

Draft legislation has been issued to establish a Plastic Packaging Tax. This is a new tax that applies to plastic packaging produced in, or imported into the UK that does not contain at

least 30% recycled plastic. Plastic packaging is packaging that is predominantly plastic by weight.

The tax rate will be £200 per tonne of non-compliant plastic packaging. There will be an exemption for businesses that manufacture or import less than 10 tonnes of plastic packaging per year. The tax will take effect from April 2022.

Van Vehicle Excise Duty (VED)

Van VED is currently levied at £250 per year for most light goods vehicles (under 3.5 tonnes) which have been registered since 1 March 2001. A consultation paper explored creating a graduated first year rate for new light goods vehicles and motorhomes from April 2021. The government has recently decided not to proceed with the change in light of the pandemic. Motorhomes will continue to be placed in the Private/Light Goods class.

Reform of penalties for late submission and late payment of tax

The government will reform the penalty regime for VAT and Income Tax Self Assessment (ITSA) to make it fairer and more consistent. The new late submission regime will be points-based, and a financial penalty will only be issued when the relevant threshold is reached. The new late payment regime will introduce penalties proportionate to the amount of tax owed and how late the tax due is. These reforms will come into effect: for VAT taxpayers, from periods starting on or after 1 April 2022; for taxpayers in ITSA with business or property income over £10,000 per year, from accounting periods beginning on or after 6 April 2023; and for all other taxpayers in ITSA, from accounting periods beginning on or after 6 April 2024.

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.

Rates and Allowances 2021/22

INCOME TAX

Rates and bands (other than savings and dividend income)

2021/22		2020/21	
Band £	**Rate %**	**Band £**	**Rate %**
0 - 37,700	20	0 - 37,500	20
37,701 - 150,000	40	37,501 - 150,000	40
Over 150,000	45	Over 150,000	45

Income tax rates in Scotland and Wales on income other than savings and dividend income have been devolved.

Savings income	**2021/22 and 2020/21**
Savings allowance basic rate	£1,000
Savings allowance higher rate	£500

A starting rate of 0% may be available unless taxable non-savings income exceeds £5,000.

Dividend income	**2021/22 and 2020/21**
Dividend allowance	£2,000
Dividend ordinary rate	7.5%
Dividend upper rate	32.5%
Dividend additional rate	38.1%

INCOME TAX RELIEFS

	2021/22	2020/21
Personal allowance	£12,570	£12,500
Personal allowance income limit	£100,000	£100,000
Marriage allowance	£1,260	£1,250
Married couple's allowance	£9,125	£9,075
- minimum amount	£3,530	£3,510
- income limit	£30,400	£30,200
Blind person's allowance	£2,520	£2,500

INDIVIDUAL SAVINGS ACCOUNTS

	2021/22	2020/21
Overall investment limit	£20,000	£20,000
Junior account investment limit	£9,000	£9,000

PENSIONS

	2021/22	2020/21
Lifetime Allowance limit	£1,073,100	£1,073,100
Annual Allowance limit	£40,000	£40,000
Money Purchase Annual Allowance	£4,000	£4,000

DEVOLVED INCOME TAX

Scotland rates and bands

2021/22		2020/21	
Band £	**Rate %**	**Band £**	**Rate %**
0 - 2,097	19	0 - 2,085	19
2,098 - 12,726	20	2,086 - 12,658	20
12,727 - 31,092	21	12,659 - 30,930	21
31,093 - 150,000	41	30,931 - 150,000	41
Over 150,000	46	Over 150,000	46

Wales rates and bands

2021/22		2020/21	
Band £	**Rate %**	**Band £**	**Rate %**
0 - 37,700	20	0 - 37,500	20
37,701 - 150,000	40	37,501 - 150,000	40
Over 150,000	45	Over 150,000	45

NATIONAL INSURANCE

2021/22 Class 1 (employed) rates

Employee		**Employer**	
Earnings per week	**%**	**Earnings per week**	**%**
Up to £184	Nil	Up to £170	Nil
£184.01 - £967	12	Over £170	13.8
Over £967	2		

Entitlement to contribution-based benefits for employees retained for earnings between £120 and £184 per week. The employer rate is 0% for employees under 21 and apprentices under 25 on earnings up to £967 per week.

Class 1A (employers) 13.8% on employee taxable benefits

Class 1B (employers) 13.8% on PAYE Settlement Agreements

Class 2 (self-employed) flat rate per week £3.05 small profits threshold £6,515 per annum

Class 3 (voluntary) flat rate per week £15.40

Class 4 (self-employed) 9% on profits between £9,568 and £50,270 plus 2% on profits over £50,270

INHERITANCE TAX

Death rate	Lifetime rate	Chargeable transfers 2021/22 and 2020/21
Nil	Nil	0 - £325,000 (nil rate band)
40%	20%	Over £325,000

A further nil rate band of £175,000 may be available in relation to current or former residences.

CAR, VAN AND FUEL BENEFITS

2021/22	Cars registered pre 6.4.20	Cars registered after 5.4.20
CO_2 emissions g/km	% of list price taxed	% of list price taxed
0	1	1
1-50		
Electric range -130 or more	2	1
70 - 129	5	4
40 - 69	8	7
30 - 39	12	11
under 30	14	13
51-54	15	14
For every extra 5	+1	+1
160 and above	37	n/a
165 and above	n/a	37

For fully diesel cars generally add a 4% supplement (unless the car is registered on or after 1 September 2017 and meets the Euro 6d emissions standard) but the maximum is still 37%. For emissions of 75g/km or more if the CO_2 figure does not end in a 5 or 0 round down to the nearest 5 or 0.

	2021/22
Car fuel benefit	£24,600
Van benefit	£3,500
Van fuel benefit	£669

CAPITAL ALLOWANCES

Corporation tax super-deduction on certain plant and machinery — **130%**

First Year Allowance (FYA) on certain plant, machinery and cars of 0g/km — **100%**

Corporation tax FYA on long-life assets, integral features of buildings, etc. — **50%**

Annual Investment Allowance (AIA) £1,000,000 (£200,000 from 1 January 2022)
Excludes cars

Writing Down Allowance

Long-life assets, integral features of buildings, cars over 50g/km — **6%**

Other plant and machinery — **18%**

Structures and Buildings Allowance — **3%**

CORPORATION TAX

	Rate %		Rate %
Year to 31.3.22	19	Year to 31.3.21	19

VALUE ADDED TAX

	From 1.4.21	From 1.4.20
Standard rate	20%	20%
Reduced rate	5%*	5%
Annual Registration Limit	£85,000	£85,000
Annual Deregistration Limit	£83,000	£83,000

**12.5% for hospitality and tourism from 1 October 2021 - 31 March 2022.*

CAPITAL GAINS TAX

Individuals	2021/22	2020/21
Exemption	£12,300	£12,300
Standard rate	10%	10%
Higher/additional rate	20%	20%
Trusts		
Exemption	£6,150	£6,150
Rate	20%	20%

Higher rates (18/28%) may apply to the disposal of certain residential property and carried interest.

Business Asset Disposal Relief

The first £1m of qualifying gains are charged at 10%.

PROPERTY TAXES

Across the whole of the UK, residential rates may be increased by 3% (4% in Scotland and Wales) where further residential properties are acquired.

Stamp Duty Land Tax

Land and buildings in England and N. Ireland

Residential Band £	Rate %	Non-residential Band £	Rate %
0 - 500,000*	0	0 - 150,000	0
*500,001 - 925,000	5	150,001 - 250,000	2
925,001 - 1,500,000	10	Over 250,000	5
Over 1,500,000	12		

**£250,000 from 1 July 2021. From 1 October 2021, 0% up to £125,000, 2% from £125,001 - £250,000 and 5% from £250,001 - £925,000.*

Land and Buildings Transaction Tax

Land and buildings in Scotland

Residential Band £	Rate %	Non-residential Band £	Rate %
0 - 145,000	0	0 - 150,000	0
145,001 - 250,000	2	150,001 - 250,000	1
250,001 - 325,000	5	Over 250,000	5
325,001 - 750,000	10		
Over 750,000	12		

First-Time Buyer relief may apply on the first £175,000 of residential purchases.

Land Transaction Tax

Land and buildings in Wales

Residential Band £	Rate %	Non-residential Band £	Rate %
0 - 180,000*	0	0 - 225,000	0
180,001 - 250,000	3.5	225,001 - 250,000	1
*250,001 - 400,000	5	250,001 - 1,000,000	5
400,001 - 750,000	7.5	Over 1,000,000	6
750,001 - 1,500,000	10		
Over 1,500,000	12		

**The rates are 0% up to £250,000 and 5% between £250,001 - £400,000 until 30 June 2021.*

This summary is published for the information of clients. It provides only an overview of the main proposals announced by the Chancellor of the Exchequer in his Budget Statement, and no action should be taken without consulting the detailed legislation or seeking professional advice. Therefore no responsibility for loss occasioned by any person acting or refraining from action as a result of the material contained in this summary can be accepted by the authors or the firm.

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