A simple guide to

Budget 2021

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** |
|  | **£** | **£** |
| **Income tax rates (non-dividend income)** | | |
| 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 |
| **Scottish income tax rates (non-dividend income)** | | |
| 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 |
| **Personal allowance** | | |
| 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** |
|  | **£** | **£** |
| **VAT** | | |
| 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 5th 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](https://www.apprenticeships.gov.uk/employer/how-much-is-it-going-to-cost) before the end of the month to benefit from apprenticeship levy funding. You can find out more about [ACCA Apprenticeship Programmes](https://www.accaglobal.com/uk/en/employer/recruit-acca-accounting-technician-apprentices.html).

**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](http://accainpractice.newsweaver.co.uk/accainpractice/1fl4ivaef1k1l3m8eceq63/external?a=6&p=58787423&t=30229336)**.**

**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** |
|  | **£** |  | **£** |
| **Annual tax on enveloped dwellings (ATED)** | | | |
| 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

**ACCA LEGAL NOTICE**

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