

UK's 2021 Budget

Delivered by the Chancellor of the Exchequer to Parliament.



The March 2021 United Kingdom budget delivered by Rishi Sunak, the Chancellor of the Exchequer. It was expected to be delivered in Autumn 2020 but was postponed because of the COVID-19 pandemic.

It succeeds the budget held in March 2020, and the summer statement and Winter Economy Plan held in summer and autumn 2020 respectively. The budget is the second under Boris Johnson's government, also being the second to be delivered by Sunak and since Britain's withdrawal from the European Union.

Personal Tax

There will be no changes to rates of income tax and national insurance. Personal allowance will rise to £12,570 from 6 April 2021 and then be frozen until April 2026. Higher rate income tax threshold will be frozen at £50,270 until April 2026.

Corporation Tax

Corporation tax on company profits with more than £250K will rise from 19% to 25% on 1 April 2023. The current rate of 19% will be kept for smaller companies with profits of less than £50K. For profits in between the two amounts will be tapered from 19% to

25%. It should be noted that a company may be able to optimise its tax position by changing its accounting period, deferring tax relief claims or accelerating plans to dispose of assets pregnant with chargeable gains.

A “super deduction” of 130% for investment in qualifying machinery will be available for companies against their taxable income for the two years from April 2021.

The ability to generate a tax refund by carrying back a trading loss is extended from a 1-year carry back to 3 year carry-back for company accounting periods ending between 1 April 2020 and 31 March 2022 thereby potentially generating repayments for tax paid for two additional years.

Furlough

The furlough scheme will be extended until the end of September from the current end date of 30 April. The government will continue paying 80% of employees’ wages for hours which they cannot work. However, employers will need to contribute 10% for those hours in July and 20% in August and September.

Self Employed

The support for the self-employed will also be extended until the end of September. The fourth Self-Employment Income Support Scheme (SEISS) grant will be set at 80% of 3 months’ average trading profits, paid out in a single instalment, capped at £7,500. The fourth grant will take into account 2019/20 tax returns and will be open to those who became self-employed in the 2019/20 tax year. The rest of the eligibility criteria remain unchanged. The online claims service will be available from late April 2021 until 31 May 2021.

There will be a fifth and final grant covering May to September and it will be available to claim from late July. This amount will be determined by how much the turnover has been reduced in the year April 2020 to April 2021.

VAT

VAT Registration Thresholds

The VAT registration threshold will remain at £85,000 until 31 March 2024.

The VAT de-registration threshold will remain at £83,000 until 31 March 2024.

Businesses who are trading close to the registration threshold should continue to monitor their turnover level. Some businesses will undoubtedly be required to register earlier than they otherwise might have as a result of the freeze in this limit.

Introduction of a new reduced rate of VAT for hospitality, holiday accommodation and attractions

The temporary reduced rate for the hospitality industry will be extended for a further six-month period at 5% until 30 September 2021.

A new reduced rate of 12.5% will then be introduced which will end on 31 March 2022.

The scope of the relief will remain unchanged, which most notably will not be extended to cover the sale of alcohol.

Penalty of 5% introduced in Relation to the Deferred VAT Payment Scheme

A penalty of 5%, chargeable in relation to the amount of the deferred VAT that is outstanding if businesses have not paid in full, opted into the New Payment Scheme or made an alternative arrangement to pay by 30 June 2021. The normal Default Surcharge approach will not apply to deferred VAT.

Businesses who chose to defer their VAT due between 20 March and 30 June 2020 should ensure they take appropriate action.

Other Taxes

Stamp duty holiday on house purchases in England and Northern Ireland will be extended to 30 June. The floor for paying stamp duty will remain at £250K until 30 September from then it will go back down to the original level of £125K.

No changes are announced in relation to inheritance tax and capital gains tax rates and threshold and also the lifetime pension allowance remain the same at £1,073,100.