

# UK Budget Report 2021



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## Introduction

On Wednesday, the Chancellor of the Exchequer, the Rt. Hon Rishi Sunak MP delivered the government's Budget for 2021.

In his speech, the Chancellor announced extensions to a number of current COVID-19 schemes, alongside additional support for individuals and businesses, as the UK continues to navigate the impact of the pandemic, including extending the Coronavirus Job Retention Scheme until the end of September 2021, alongside other measures.

We have summarised some of these measures for employers below, including details about tax rate changes. Information about all Budget 2021 measures announced, can be found on [GOV.UK](https://www.gov.uk).

To allow for more transparency and scrutiny of documents that would traditionally be published at Budget, Her Majesty's Treasury have also announced that a range of tax consultations and calls for evidence will also be published on 23 March. Several of these consultations are key to the government's 10-year tax administration [strategy](#). We'd encourage you to engage with these, a further email will be issued sharing details of these documents with you once published. Whilst there many headline grabbers, the devil is in the detail which will unfold during the coming months – for more detail see

<https://www.gov.uk/government/news/budget-2021-what-you-need-to-know>

## The Main Highlights

### COVID-19 Support

#### **Extending the Coronavirus Job Retention Scheme (CJRS)**

**until the end of September 2021:** The UK government will continue to pay 80% of employees' usual wages for the hours not worked, up to a cap of £2,500 per month, up to the end of June 2021. For periods in July, CJRS grants will cover 70% of employees' usual wages for the hours not worked, up to a cap of £2,187.50. **In August and September, this will then reduce to 60% of employees' usual wages** up to a cap of £1,875. Employers will need to continue to pay their furloughed employees at least 80% of their usual wages for the hours they do not work during this time, up to a cap of £2,500 per month. They also need to pay the associated Employer National Insurance contributions and pension contributions on subsidised furlough pay from their own funds. When claiming for periods from 1 May 2021 onwards, eligible employees must have been employed on 2 March 2021 and had a Real Time Information (RTI) submission to HMRC notifying a payment of earnings for that employee by their employer between 20 March 2020 and 2 March 2021. You can find out more about the CJRS on GOV.UK.



**The VAT deferral new payment scheme:** The new payment scheme helps businesses with deferred VAT to pay what they owe in smaller, monthly instalments from March, interest free. The scheme is now open, and you can choose to make 2-11 monthly payments, depending on when you join. The later you join the fewer instalments are available to you. You can join through a simple online service without needing to contact HMRC. You need to join the scheme before the end of June. More details are available from [GOV.UK](https://www.gov.uk).

**VAT reduction for the UK's tourism and hospitality sector:** The government will extend the temporary reduced rate of 5% VAT for goods and services supplied by the tourism and hospitality sector 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.

**Income Tax exemption for employer-reimbursed coronavirus antigen tests for tax year 2020-21 and 2021-22:** This measure will continue the Income Tax exemption for payments that an employer makes to an employee to reimburse for the cost of a relevant coronavirus antigen. There will be no Income Tax liability for the employee or employer.

**Continuation of the home office equipment expenses COVID-19 easement for the 2021-22 tax year:** An Income Tax exemption and corresponding NICs disregard were introduced for the 2020-21 tax year. This allowed employers to reimburse employees for the cost of home office equipment deemed necessary to work from home as a result of the COVID-19 outbreak free from Income Tax and Class 1 NICs. The exemption was due to end on 5 April 2021 but will now be extended to have effect until 5 April 2022.

**Extended loss carry back for business:** To help otherwise-viable UK businesses which have been pushed into a loss-making position, the trading loss carry-back rule will be temporarily extended from the existing one year to three years. This will be available for both incorporated and unincorporated businesses. Further details are available from our [guidance note](#).

### Tax rate changes

**Personal Allowance and higher rate threshold (HRT):** The income tax Personal Allowance will rise with CPI as planned to £12,570 from April 2021 and will remain at this level until April 2026. The income tax HRT will rise as planned to £50,270 from April 2021 and will remain at this level until April 2026. The Personal Allowance applies across the UK. The HRT for savings and dividend income will also apply UK-wide. The HRT for non-savings and non-dividend income will apply to taxpayers in England, Wales, and Northern Ireland.



**Corporation tax:** The rate of Corporation Tax will increase from April 2023 to 25% on profits over £250,000. The rate for small profits under £50,000 will remain at 19% and there will be relief for businesses with profits under £250,000 so that they pay less than the main rate. In line with the increase in the main rate, the Diverted Profits Tax rate will rise to 31% from April 2023 so that it remains an effective deterrent against diverting profits out of the UK.



**Pensions Lifetime Allowance:** The government will maintain the Lifetime Allowance at its current level of £1,073,100 until April 2026.

**Annual Tax on Enveloped Dwellings (ATED) and 15 per cent rate of Stamp Duty Land Tax (SDLT): Relief for Housing Co-Operatives:** Following a consultation on draft legislation over the Summer of 2020, the government will introduce new reliefs from ATED and the 15% rate of SDLT for certain qualifying housing co-operatives. For SDLT, the relief can be claimed for land transactions where the effective date of the transaction is on or after 3 March 2021. For ATED, the relief will apply to chargeable periods beginning on or after 1 April 2020, allowing eligible housing co-operatives who have already paid ATED for that period to claim a refund. A tax information and impact note has been published on [GOV.UK](#).

## Other HMRC related measures

**OECD reporting rules for digital platforms:** The government will consult on the implementation of the Organisation for Economic Co-operation and Development (OECD) rules that will require digital platforms to send information about the income of their sellers to both HMRC and the seller themselves. This will help taxpayers in the sharing and gig economy get their tax right, and help HMRC detect and tackle non-compliance.

### **The Van Benefit and Car and Van Fuel Benefit uprating for 2021:**

The government [has announced](#) that the van benefit charge and fuel benefit charges for cars and vans will be uprated by the Consumer Price Index from 6 April 2021.



### **Interest harmonisation and 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. The government will introduce a new approach to interest charges and repayment interest to align VAT with other tax regimes. These reforms will come into effect:

- for VAT taxpayers, from periods starting on or after 1 April 2022
- taxpayers in ITSA with business or property income over £10,000 per year, from accounting periods beginning on or after 6 April 2023
- all other taxpayers in ITSA, from accounting periods beginning on or after 6 April 2024.

**For details about all other measures please visit [GOV.UK](#).**

Contact us now to find out more about how this budget will affect you and your business. Let us take advantage of and mitigate its impact to benefit you.



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