

# Budget 2021

Moore Kingston Smith

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 **MOORE** Kingston Smith

HELPING YOU THRIVE IN A CHANGING WORLD



“DO WHATEVER IT  
TAKES”



## THE HIGHLIGHTS

- Corporate & business taxes
- Personal taxes
- Employment taxes
- VAT
- Reminders
- What didn't happen?



## Corporate & business taxes



## CORPORATION TAX

- Current rate - 19%
- From 1 April 2023:
  - 19% on profits up to £50k
  - 25% on profits over £250k
  - Marginal rate of 26.5% in-between





## CORPORATION TAX

- Close investment holding companies will always pay at 25%
- A company is a CIC unless it exists (amongst other things) wholly or mainly for the purpose of the purpose of:
  - Carrying on a trade or trades on a commercial basis,
  - Making investments in land or estates or interests in land in cases where the land is, or is intended to be, let to persons other than connected person etc.



## CORPORATION TAX

	2020/21		2023/24	
Tax rate	40%	45%	40%	45%
Salary/bonus	49.03%	53.43%	49.03%	53.43%
Dividend	45.33%	49.86%	49.38%	53.58%
'Saving'	3.7%	3.57%	-0.35%	-0.15%

- Bonuses definitely better if paying corporation tax at 26.5%
- Salaries/bonuses affect gender pay gap reporting – dividends don't





## CORPORATION TAX TRADING LOSSES

- Currently carry-back for 12 months
- For accounting periods:
  - Ending between 1 April 2020 and 31 March 2022
  - Carry back 3 years
  - Later years before earlier



## CORPORATION TAX TRADING LOSSES

- Limit of £2m per year of loss -  $£4m \times 19\% = £760k$
- Limit applies on a group basis



19% or 25%?



## TRADING LOSSES – UNINCORPORATED BUSINESSES

- For losses in tax years 2020/21 and 2021/22
  - Carry back 3 years
  - Later years before earlier
  - Limit of £2m per year of loss
  - No cap for partnerships or LLPs
  - Note limit of £50k or 25% of adjusted total income for losses against general income



## CAPITAL ALLOWANCES

- Current rates:
  - 18% - plant & machinery
  - 6% - special rate:
    - Integral features
    - Long life assets
    - Thermal insulation of buildings
    - Cars with CO2 emissions > 110g/km (50g/km for 2021/22)



## CAPITAL ALLOWANCES

- Integral features:
  - an electrical system (including a lighting system)
  - a cold water system
  - a space or water heating system, a powered system of ventilation, air cooling or air purification, and any floor or ceiling comprised in such a system
  - a lift, an escalator or a moving walkway
  - external solar shading



## CAPITAL ALLOWANCES

- Current rates:
  - 100% - annual investment allowance - £1m limit until 1 January 2022
  - 3% - buildings & structures allowance



### CAPITAL ALLOWANCES

- Super deduction:
  - Companies only
  - Applies to P&M that would qualify for 18% WDA
  - Within 2 year period from 1 April 2021
  - Must be unused & not second hand



## CAPITAL ALLOWANCES

- Super deduction:
  - Doesn't apply to cars, P&M for leasing etc.
  - 130% - first year allowance
  - On disposal – balancing adjustment – sale value x 1.3





### CAPITAL ALLOWANCES

- Business spends £100k on P&M
- With AIA – tax saving = £19k
- With new FYA – tax saving =  $£100k \times 1.3 \times 19\% = £24.7k$
- Additional relief = £5.7k
- Larger benefit for companies with spend > AIA limit



### CAPITAL ALLOWANCES

- AIA limit already exceeded
- Further £1m of capital expenditure
- WDA today -  $\text{£1m} \times 18\% \times 19\% = \text{£34.2k}$  benefit in year 1
- With new FYA -  $\text{£1m} \times 1.3 \times 19\% = \text{£247k}$  benefit in year 1



## CAPITAL ALLOWANCES

- Enhanced first year allowance:
  - Companies only
  - Applies to P&M that would qualify for 6% WDA
  - Within 2 year period for 1 April 2021
  - 50% - first year allowance
  - Doesn't apply to cars, P&M for leasing etc.



## SELF EMPLOYMENT INCOME SUPPORT - SEISS

- Extension to SEISS to support self-employed to the end of September 2021
- Includes those new to self-employment in 2019/20
- 4<sup>th</sup> grant - February to April 2021:
  - 80% of 3 months' average trading profits, with an overall cap of £7,500
- 5<sup>th</sup> grant - May to September 2021:
  - 80% grant capped at £7,500 where turnover has fallen by  $\geq 30\%$
  - 30% grant capped at £2,850 where turnover has fallen by  $< 30\%$



## RECOVERY LOAN SCHEME

- Scheme open between 6 April and 31 December
- Government guarantees 80% of the finance to the lender:
  - Term loans & overdrafts between £25,001 & £10m per business
  - Invoice finance & asset finance between £1,000 and £10m per business
  - Up to 6 years for term loans & asset finance facilities



## RECOVERY LOAN SCHEME

- Up to 3 years for overdrafts & invoice finance facilities
- No personal guarantees will be taken on facilities up to £250,000
- Borrower's principal private residence cannot be taken as security



## RECOVERY LOAN SCHEME

- Must be trading in the UK
- Need to show that the business:
  - is viable or would be viable were it not for the pandemic
  - has been impacted by the coronavirus pandemic
  - is not in collective insolvency proceedings - further details to come



### R&D

- From 1 April 2021 - new PAYE cap on the payable tax credit in the SME R&D scheme for expenditure
- Will be set at £20,000 plus three times the client's PAYE and NIC liability
- The cap will be subject to certain exemptions for companies managing IP





## R&D

- A review of the current R&D tax reliefs including:
  - the definitions
  - the reliefs' competitiveness
  - the scope of qualifying expenditure (such as cloud computing costs and purchase of datasets)
  - whether the schemes effectively target the right areas



## WITHHOLDING TAXES

- EU Interest and Royalties Directive incorporated into UK law
  - UK companies no longer benefit from Directive when they receive interest and royalties from the EU
  - The Directive will cease to be part of UK law for payments made after 1 June 2021
  - Need to review the tax treaties with the recipient country



### FREEPORTS

- 10% rate for Structures and Buildings Allowance
- Enhanced capital allowance of 100% will be available for companies acquiring P&M
- Full relief from SDLT for commercial sites until 30 September 2026
- Full business rates relief will be available for a period of five years
- Intention to provide for relief from employer NICs for eligible employees



## FREEPORTS

- East Midlands Airport
- Felixstowe & Harwich
- Humber
- Liverpool City Region
- Plymouth & South Devon
- Solent
- Teesside
- Thames



## EMI

- No change, but call for evidence:
  - Should it be extended to cover more companies?
  - Are the limits prohibitive?
  - e.g. 250 employee limit



### EMI

- Working time requirement relaxed for employees who have been furloughed, taken unpaid leave or have had their working hours reduced as a result of coronavirus – until 5 April 2022



### SOCIAL INVESTMENT TAX RELIEF (SITR)

- SITR was due to expire on 5 April 2021
- Two-year extension until 5 April 2023
- Encourage investment in qualifying social enterprises (such as charities and community interest companies)
- Similar to Enterprise Investment Scheme



### OECD REPORTING RULES FOR DIGITAL PLATFORMS

- From January 2023 at the earliest
- Certain UK digital platforms to report to HMRC information about the income of the sellers using the platform
- Information will be exchanged with other with tax authorities





### SUPPORTING SPORTS AND CULTURE

- Culture Recovery Fund – extra £300m to extend the Culture Recovery Fund to continue to support key national and local cultural organisations in England
- National Museums and cultural bodies – £90 million for continued support for government-sponsored National Museums and cultural bodies in England



## SUPPORTING SPORTS AND CULTURE

- Film and TV Production Restart Scheme – extend the £500m scheme for 6 months to 31 December 2021



## Personal taxes



## PERSONAL TAX

	2020/21	2021/22 →
Personal allowance	£12,500	£12,570
Income limit	£100,000	£100,000
Basic rate – 20%	£37,500	£37,700
Higher rate – 40%	£37,501 - £150,000	£37,701 - £150,000
Additional rate	45% >£150K	45% > £150K
Income earned before 40% tax	£50,000	£50,270



### NO CHANGES TO

- Capital gains tax exemptions
- Capital gains tax rates
- Inheritance tax rates & nil rate band
- ISA limits
- But....
  - Pension lifetime allowance (£1,073,100) will be frozen...
  - ...until April 2026

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### SDLT

- Nil band for residential property of £500k due to end 31 March
- Now extended to 30 June
- £250k from July to September
- Thereafter back to £125k

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### SDLT

Up to £500,000	Zero
The next £425,000 (the portion from £500,001 to £925,000)	5%
The next £575,000 (the portion from £925,001 to £1.5m)	10%
The remaining amount (the portion above £1.5m)	12%



## Employment taxes





### CORONAVIRUS JOB RETENTION SCHEME - CJRS

- CJRS due to end on 30 April 2021
- Extended for a further 5 month period to 30 September 2021
- Employees will continue to receive 80% of their current salary for hours not worked
- Employers will continue to pay NICs and pension contributions on the amounts employees receive



## CORONAVIRUS JOB RETENTION SCHEME - CJRS

- Employers to make a contribution towards the cost of unworked hours:
  - 10% in July 2021
  - 20% in each of August & September
- Don't forget being 'named and shamed' on HMRC website!





### CORONAVIRUS TESTS AND HOME OFFICE EXPENSES

- Employers can continue to provide – or reimburse employees for the cost of – Coronavirus antigen tests without any tax or NIC implications until 5 April 2022
- The temporary rules which allow employers to reimburse employees for home office costs (providing certain conditions are met) without tax or NIC implications will be in place until 5 April 2022



VAT



### VAT REDUCTION FOR THE UK'S TOURISM AND HOSPITALITY SECTOR

- Temporary 5% VAT rate that applies to certain goods and services supplied within the tourism and hospitality sector:
  - Due to end on 31 March 2021
  - Will continue until 30 September 2021
  - September to March 2022 a 12.5% rate will apply
  - Back to 20% from 1 April 2022



### PAYING VAT DEFERRED IN 2020 AND ASSOCIATED PENALTIES

- Applies to any business that deferred VAT payments due between 20 March and 30 June 2020
- VAT due 31 March 2021
- A further deferral scheme - 11 equal payments from March 2021, rather than in one payment
- A penalty of 5% will be chargeable on the deferred VAT that is outstanding after 31 March 2021 **if** the business has not opted into the new deferral scheme or made an alternative arrangement to pay by 30 June 2021



## VAT REGISTRATION THRESHOLD

- The thresholds will remain unchanged for 2 years from 1 April 2022:
  - Registration threshold - £85,000
  - Deregistration threshold - £83,000



## Reminders





### OFF-PAYROLL WORKING – FROM 6 APRIL 2020

- Services provided through personal service companies
- Onus now on client to operate IR35 rules:
  - Determine whether contract is within IR35
  - Notify worker of decision
  - Have a dispute resolution procedure
  - Deduct PAYE/NIC from payments to service company
- Light touch in first year!



## VAT – MAKING TAX DIGITAL

- Making tax digital:
  - Direct digital links from 1 April 2021
  - MTD applies to businesses below VAT threshold from 1 April 2022



## EMPLOYEE OWNERSHIP TRUSTS

- Becoming a very popular means of exiting a business
  - Capital gains tax relief – complete deferral
  - Tax free bonuses to employees of £3,600 pa
  - Inheritance tax reliefs



So what didn't happen?

## Budget 2021



To come.....?

- Tax reforms or increases or both:
  - Capital gains tax?
  - Inheritance tax reliefs?
  - Property taxes?
- Significance of 31 December 2006?





Any questions?



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