



# Spring Budget 2021 Analysis



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## INTRODUCTION

It is almost a year since the last Budget on 11<sup>th</sup> March 2020, and what a year it has been.

The backdrop to this year's Budget incorporated the following realities and themes:

- That priority should be given to supporting the economy, individuals, businesses and jobs before introducing any radical tax reform.
- The pre-election promise not to increase the *rates* of Income Tax, National Insurance and VAT.
- The size of government debt, the likely continuing high level of the deficit (annual expenditure less income) and the concerns over the impact that even a small rise in the cost of borrowing could have.
- The Chancellor's concern over the need, at some point, to set about repairing "exposed" public finances and returning to "fiscal conservatism" once the economy is back on its feet; and his expressed desire to "level" with the population about this. The Institute for Fiscal Studies suggests that around £40–£60 billion a year will need to be found.
- The Office of Tax Simplification (OTS) reviews of Capital Gains Tax and Inheritance Tax.
- The government response to the Public Accounts Committee challenge on pensions tax relief in September 2020, stating that there was no plan to review the impact of pensions tax relief within the next 12 months.
- That consultations and calls for evidence not related to tax changes to be implemented in the next Finance Bill, will be published on 23 March – 20 days after the Budget.

So what did we get?

The Chancellor announced a "three-part plan" incorporating

1. A commitment to continue to do "whatever it takes" to support the economy, jobs, people and businesses
2. Fixing public finances in an honest and open way
3. Beginning the building of our future, post pandemic, economy

For those in the business of financial planning some of the highlights were as follows:

- The expected freezing until April 2026 of the main allowances, thresholds and exemptions for income tax, capital gains tax and inheritance tax
- The furlough and self-employment income support schemes being extended through until the end of September with the latter being expanded to allow more to claim.
- The rules for how much you can invest in tax efficient pensions and ISAs remain unaffected as does the taxation of income and gains from investment.
- The extension of the Stamp Duty Land Tax cut until the end of June and the new Mortgage Guarantee Scheme delivering mortgages with the need for only

5% deposits will both be of interest to those looking to buy their first (or perhaps another) home or move.

- A freeze in the Lifetime Allowance of £1,073,100 until 2025/26.
- The proposed increase in the corporation tax rate to 25% from 1<sup>st</sup> April 2023. However, this rate will only apply once profits hit £250,000 and if profits are below £50,000 the current 19% rate will continue to apply. There will be a sliding scale for profits in between.
- New provisions for all businesses to allow losses to be carried back for three years
- A new “super deduction” for companies who incur qualifying capital expenditure. This super-deduction will allow companies to cut their tax bill by up to 25p for every £1 they invest.

Even these relatively “light” changes to the tax landscape remind us of the importance of factoring tax into our financial plans and the importance of informed advice to making smart choices to achieve optimum outcomes.

This may be only the start of the journey towards a changed tax landscape though and we even get may get a better idea of what that landscape might look like with the promised consultations on 23<sup>rd</sup> March.

This Budget analysis focusses on changes announced in the Budget speech and supporting papers and what they mean for financial advisers and their clients. We supplement this with an Appendix setting out the 2021/22 tax rates and allowances. As in previous years we will be issuing follow-up bulletins on Techlink Professional to keep you informed as the Finance Bill passes through Parliament.

When it comes to keeping you up-to-date, we are utterly committed to doing “whatever it takes”.

# YOUR GUIDE TO THE BUDGET ANALYSIS

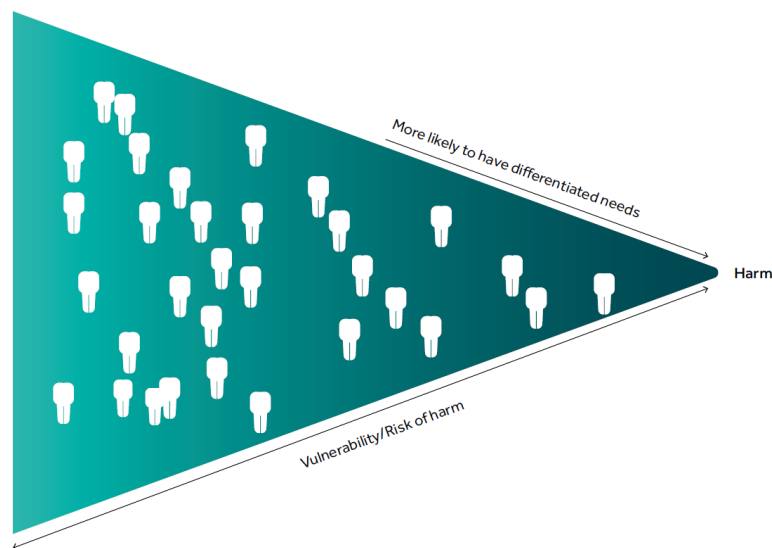
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## CLIENTS IN VULNERABLE CIRCUMSTANCES

The Financial Conduct Authority define a Vulnerable Client as

*“someone who, due to their personal circumstances, is especially susceptible to harm, particularly when a firm is not acting with appropriate level of care”.*

All customers are at risk and financial planners should consider vulnerability as a spectrum of risk as indicated below. It is important to note that the client may not be vulnerable but extra care is required to support clients in vulnerable circumstances so reducing the risk of vulnerability.



There are four key drivers as follows:



**Health** conditions or illnesses that affect ability to carry out day-to-day tasks.



**Resilience** is where there is a low ability to withstand financial or emotional shocks.






**Capability** is where there is low knowledge of financial matters or low confidence in managing money (financial capability) and low capability in other relevant areas such as literacy or digital skills.











**Life Events** such as bereavement, job loss or relationship breakdown.

The following characteristics are associated with the above 4 drivers of vulnerability:

Health:	Life Events:	Resilience:	Capability:
Physical ability Severe or long-term illness Hearing or visual impairment Poor mental health Low mental capacity or cognitive impairment Addiction	Caring responsibilities Bereavement Income shock Relationship breakdown People with non-standard requirements i.e. convictions, carer Domestic abuse Retirement	Low or erratic income Over indebtedness Low savings Low emotional resilience	Poor literacy or numeracy skills Low English language skills Poor or non-existent digital skills Learning impairment Low knowledge or confidence in managing finances No or low access to help or support
			

Below we have highlighted where we believe clients in vulnerable circumstances may be impacted by the Budget 2021 announcements.

Budget 2021 Announcement	 Life Events	 Capability	 Resilience	 Health
<b>Budget 2021</b> – for clients with low capability they would benefit from explanations through suitable channels, use of infographics and animation.		✓		
<b>Freezing of personal allowances, Capital Gains exemption</b> – whilst rates have not changed these measures will increase the tax take over time and clients with low financial resilience may have less disposable income if at all			✓	
<b>Freezing of Pension Lifetimes allowance</b> – this is tested at retirement or death	✓			
<b>Freezing of IHT nil rate band</b> – this is applied at death	✓			
<b>Coronavirus Job Retention Scheme (CJRS)</b> – extension of the scheme to September 2021			✓	
<b>Self-Employment Income Support Scheme (SEISS)</b> – extension of scheme to September, inclusion of new self-employed. 80% support if turnover reduced by 30% or 30% if less than 30% turnover reduction.			✓	
<b>Traineeships</b> current scheme extension for 16-24 years old and new apprenticeships enhanced rate		✓		
<b>National Living Wage</b> – increase to £8.91 per hour for over 23 year old.			✓	

				
<b>Universal Tax Credit:</b> maintain £20 increase to standard allowance for 6 months.			✓	
<b>Working Tax Credit:</b> £500 payment to eligible Working Tax Credit recipients			✓	
<b>Help to Grow</b> – Digital and Management to help small business		✓		
<b>Education catch-up funding</b> – expanding tutoring programme		✓		
<b>Thalidomide Health Grant Renewal</b> and lifetime commitment				✓
<b>Veterans Mental Health Support</b> – supporting initiatives to access services				✓
<b>Domestic Abuse</b> – specialist support	✓		✓	
<b>No Interest Loans</b> – targeted at vulnerable consumers			✓	

**Further reading:**

- FCA 2020 (October) Financial Lives Survey: the impact of coronavirus – available [here](#)
- FCA 2021 Final Guidance - available [here](#).

## SYMBOL KEY



What was the Budget announcement?



When does this come into effect?



What should financial planners do next?



Relevant sources of information



Relevant topics on Techlink



# 1. INCOME TAXATION



## Budget announcements - Rates and allowances

The personal income tax allowance will increase to £12,570 from 6 April 2021 and the basic rate limit will increase to £37,700. As a result, the higher rate threshold will increase to £50,270. The personal allowance and basic rate and higher rate tax thresholds will remain frozen at these levels for tax years up to and including 2025/26.

No changes were announced to income tax rates nor to other allowances, such as the personal savings allowance and the dividend allowance.

Other minor changes to rates, allowances and thresholds include:

- An increase to the married couple's allowance (MCA), which is only available provided at least one spouse was born before 6 April 1935, from £9,075 to £9,125; while the threshold above which the MCA is reduced by £1 for every £2 of additional income, is increased to £30,400. The MCA will not reduce below £3,530 (the "minimum amount").
- An increase of £10 p.a. to the marriage allowance which will be £1,260 for 2021/22.
- A £20 increase to the blind person's allowance, taking it to £2,520 for 2021/22.

*More detail on income tax rates and allowances for the 2021/22 tax year and beyond can be found in the Facts and Figures section.*



### When does this come into effect?

The increased allowances and thresholds will apply from 6 April 2021.



## Budget announcements - Income tax exemption for financial support payments made to potential victims of modern slavery and human trafficking

Legislation will be introduced in Finance Bill 2021 to relieve annual financial support payments made in connection to modern slavery and human trafficking, from Income Tax under section 683 of the Income Tax (Trading and Other Income) Act 2005.



### When does this come into effect?

The measure is wholly relieving with retrospective effect. The exemption from income tax will have effect from the 1 April 2009, when the financial support payments started.



## Budget announcements – Coronavirus-related exemptions from income tax

- The temporary exemption for employer-provided coronavirus antigen tests will be extended through the Finance Bill 2021, to cover the tax year 2021/22.
- In addition, a new income tax exemption will be introduced to ensure that where an employer reimburses an employee for the cost of a relevant coronavirus antigen test there will be no income tax cost to the employee.
- The government has also confirmed that it will extend the temporary income tax exemption for employer reimbursed expenses that cover the cost of relevant home-office equipment until 5 April 2022. The exemption ensures that employees receive the full reimbursement free of tax.
- A further measure announced on Budget Day introduces an income tax exemption for payments made under the coronavirus (COVID-19) support scheme to working households receiving tax credits, providing certainty that the payments will not be subject to income tax charges.



## When does this come into effect?

The existing income tax exemptions for employer-provided coronavirus tests and employer reimbursed expenses in relation to home office equipment will have effect from 6 April 2021 through to 5 April 2022; while the new income tax exemption for payments made to reimburse employees for the cost of an antigen test will have effect after the date of Royal Assent to Finance Bill 2021 and will retrospectively apply to the 2020/21 tax year.

For any relevant advance payments or reimbursements which have been made during the 2020/21 tax year, but before the income tax measure comes into force, HMRC will exercise its collection and management discretion and will not collect tax and National Insurance (NICs) due on any amounts, provided the conditions set out in the legislation are met.

The exemption for additional working tax credit payments received under the coronavirus support scheme will have effect from 6 April 2021.



## Budget announcements – Retrospective changes to income tax treatment of Statutory Parental Bereavement Pay and Optional Remuneration Arrangements (OpRA)

Changes will be introduced in Finance Act 2021 to ensure that where an employee is in receipt of Statutory Parental Bereavement Pay (SPBP) and one or more of the relevant long-term benefits through a salary sacrifice arrangement, they will retain their entitlement to the income tax and NICs advantages of receiving the benefit in this manner. The effect of the change means that employees in receipt of one of the long-

term benefits and SPBP will be subject to the original OpRA rules, which continue to provide a tax advantage until April 2021.



### **When does this come into effect?**

This measure will have effect on and after the date of Royal Assent to Finance Bill 2021 and will apply retrospectively to the tax year 2020/21.



### **What should financial planners do next?**

*There are no specific planning opportunities arising from the changes to income tax announced in the Budget, however, in terms of general planning, couples should aim to utilise both personal allowances, starting/basic rate tax bands and the dividend and personal savings allowances to the full (and ensure that they do not lose out on the ability to transfer the transferable marriage allowance where eligible to do so).*



### **Relevant sources of information**

[Income tax rates and allowances](#)



### **Learn more about Income Tax:**

[Income Tax Rates](#)  
[Personal Allowances](#)  
[Self-Assessment](#)

## 2. NATIONAL INSURANCE



### Budget announcements - Rates and thresholds

No new announcements were made in the Budget concerning National Insurance (NIC).

As previously announced and legislated for in February 2021, the NIC thresholds will rise with CPI, bringing the NICs Primary Threshold/Lower Profits Limit to £9,568 from £9,500 and the Upper Earnings Limit (UEL)/Upper Profits Limit (UPL) to £50,270 from £50,000, in line with the income tax higher rate threshold (HRT). The UEL/UPL will then remain aligned with the HRT at £50,270 until 5 April 2026.

Subject to Parliamentary process and approval, the government also intends to make an employer NICs relief available for eligible employees in all Freeport tax sites from April 2022 or when a tax site is designated if after this date. This would be available until at least April 2026 with the intention to extend for up to a further five years to April 2031, subject to a review of the relief.

For details of the main rates for 2021/22, please refer to the Facts and Figures section.



### When does this come into effect?

The increase in the NIC thresholds will apply from 6 April 2021.



### Budget announcements – Retrospective changes to NIC treatment of Statutory Parental Bereavement Pay and Optional Remuneration Arrangements (OpRA)

Changes will be introduced in Finance Act 2021 to ensure that where an employee is in receipt of Statutory Parental Bereavement Pay (SPBP) and one or more of the relevant long-term benefits through a salary sacrifice arrangement, they will retain their entitlement to the income tax and NICs advantages of receiving the benefit in this manner. The effect of the change means that employees in receipt of one of the long-term benefits and SPBP will be subject to the original OpRA rules, which continue to provide a tax advantage until April 2021.



### When does this come into effect?

This measure will have effect on and after the date of Royal Assent to Finance Bill 2021 and will apply retrospectively to the tax year 2020/21.



## Budget announcements - Extension to the temporary NIC contribution exemption for home-office expenses

The Government has confirmed that it will extend the temporary Class 1 NICs exemption for employer reimbursed expenses that cover the cost of relevant home-office equipment until 5 April 2022. The exemption will ensure that employees receive the full reimbursement free from Class 1 NICs and income tax.



### When does this come into effect?

The exemption was due to end on 5 April 2021 but will now be extended to have effect until 5 April 2022.



## Budget announcements - extension to the NIC exemption for employer provided and employer-reimbursed coronavirus antigen tests

The Government will also extend the existing NIC disregard, that applies where employers provide or reimburse employees for the cost of coronavirus antigen tests, to tax year 2021/22.



### When does this come into effect?

This measure will have effect from 6 April 2021 until 5 April 2022.



### Relevant sources of information

[Budget 2021 overview of tax legislation and rates](#)

[NIC changes to Statutory Parental Bereavement Pay and OPRA](#)  
[Extension to temporary NIC exemption for home office expenses](#)



**Learn more about National Insurance Contributions:**

[National Insurance](#)

### 3. DIVIDEND ALLOWANCE



#### Budget announcements

No changes announced in respect of the dividend allowance or the dividend tax rates.



#### When does this come into effect?

From 6 April 2021 the dividend tax rates will remain at 7.5% for basic rate taxpayers, 32.5% for higher rate taxpayers and 38.1% for additional rate taxpayers.

The dividend allowance will remain at £2,000 for all individual taxpayers.

There is no £2,000 dividend allowance for trusts. The dividend rate for trusts matches the individual additional rate of 38.1%. Dividend income that falls within the trust's £1,000 standard rate band is taxed at 7.5%.



#### What should financial planners do next?

*The 0% dividend allowance means that, regardless of their tax rates, a married couple or civil partners can receive up to £4,000 of dividend income with no tax liability, provided that they each have sufficient dividend income to utilise their allowance. Whilst this may not be necessary where £2,000 is sufficient to cover their individual dividend income, financial planners may wish to suggest to their clients, who are married or in a civil partnership, that they consider an unconditional transfer of an appropriate amount of their dividend producing investments to ensure each of a couple maximise use of their dividend allowance. It is important to note however, that any such transfer must be made on a 'no-strings-attached' basis to ensure that the desired tax outcome is achieved.*



#### Learn more about dividends

[Dividends](#)

## 4. CAPITAL GAINS TAX



### Budget announcements - Capital gains tax exemption

The capital gains tax annual exemption will remain at its current level of £12,300 for individuals and personal representatives until the end of 2025/26.

The annual exemption available to trustees will remain at £6,150 until the end of 2025/26 – although this “per trust” limit is diluted where the settlor has created more than one trust subject to a minimum of £1,230 per trust.

The rates of capital gains tax remain unchanged.



### When does this come into effect?

The annual exemption will remain at its current level until 5 April 2026.



### What should financial planners do next?

#### **Making use of the annual exemption**

*The annual exemption is given on a ‘use it or lose it’ basis. Disposals driven by a desire to trigger gains within the exemption need to be such that they circumvent the “bed and breakfasting” anti-avoidance provisions. Of course, in the ordinary course of ensuring that a portfolio adheres to a specified asset allocation model, investors may naturally use some or all of their annual exemption as a useful and tax effective “by-product” of re-balancing.*

*In some cases where a disposal is ascertained to be the right thing to do and we are close to the end of a tax year, phasing the disposal (e.g. of shares or collective investments) over two tax years can prove to be beneficial as it may then facilitate the use of two annual exemptions in close succession.*

*It may also be possible to maximise the tax-free element of any gain by ensuring that investments are held jointly with a spouse or civil partner, so that two annual exempt amounts are available to offset against any gain on disposal. Any transfer between spouses/civil partners must, of course, be unconditional in order to be effective.*

#### **Maximising the use of losses**

*The recent equity market volatility may mean that some holdings could be standing at a loss and as such, those who either make a capital loss or have carried forward losses need to understand how these can be used.*

*If a taxpayer has realised a gain and a loss in the same tax year:*

- *The loss will be set off against the gain, even if the gain is within the taxpayer's annual exemption. Some or all the exemption may therefore be wasted.*

*However, if the taxpayer carried forward a loss from a previous tax year:*

- *The carried forward loss is only used up to the extent that it reduces their overall gains to the level of the annual exemption.*
- *The loss is therefore only partly used when necessary with the balance carried forward to set off against gains in later tax years.*

*Care should therefore always be taken before realising gains and losses together in a single tax year so as not to inadvertently waste the annual exemption.*

### **Deferral**

*Where a large gain has been made on disposal of an asset, then subject to very careful consideration in relation to risk and liquidity, consideration could be given to investing all or part of the gain into qualifying Enterprise Investment Scheme (EIS) shares to benefit from capital gains tax deferral relief. The deferred capital gain will not then be brought into charge until the EIS shares are sold or otherwise disposed of – and may be wiped out altogether if the shares are still owned by the investor at the date of their death. As indicated above, EIS investments, of course, carry a certain level of investment risk that not all investors will be comfortable with, and this must be very clearly understood before any decision to invest is made.*



### **Budget announcements - Social investment tax relief**

The government will continue to support social enterprises in the UK that are seeking growth investment by extending the operation of Social investment tax relief (SITR) to 5 April 2023. This will continue availability of income tax relief and capital gains tax hold-over relief for investors in qualifying social enterprises, helping them access patient capital. This relief was previously intended to come to an end on 5 April 2021.



### **When does this come into effect?**

This measure will be legislated for in Finance Bill 2021, and a summary of responses to the consultation held in spring 2019 will be published on 23 March 2021.



### **What should financial planners do next?**

*Financial planners may want to identify and contact clients with capital gains who could benefit from making a SITR investment.*





## Relevant sources of information

[HM Treasury Closed consultation: Social Investment Tax Relief: call for evidence](#)  
[HMRC Policy paper: Extension of the Social Investment Tax Relief](#)



## Learn more about capital gains tax

[Capital Gains Tax – Fundamentals](#)

[Capital Gains Tax – Reliefs](#)

[Capital Gains Tax - Planning](#)

[Capital Gains Tax - Computations](#)

## 5. SAVINGS AND INVESTMENTS



### Budget announcements - Individual Savings Accounts (ISAs)

The ISA subscription limit will remain unchanged at £20,000 for 2021/22.



### Budget announcements - Junior ISA and Child Trust Funds

The annual subscription limit for Junior ISAs or CTF will remain unchanged at £9,000 in 2021/22.



### Budget announcements – Lifetime ISA (LISA) - withdrawal charge reduction

To help individuals access savings if needed during the pandemic, the government temporarily reduced the LISA withdrawal charge from 25% to 20% for unauthorised withdrawals made between 6 March 2020 and 5 April 2021 across the UK. This means that LISA investors can withdraw their money for any reason over this period, only losing the government bonus earned on the amount they withdraw. There has been no announcement of extension of this concession.



### When does this come into effect?

The limits are already in place.



### Budget announcements – Social Investment Tax Relief (SITR) extension

The Budget confirms that the government will continue to support social enterprises in the UK that are seeking growth investment by extending the operation of SITR to April 2023. This will continue availability of Income Tax relief and Capital Gains Tax hold-over relief for investors in qualifying social enterprises, helping them access patient capital. This measure will be legislated for in Finance Bill 2021, and a summary of responses to the consultation held in spring 2019 will be published on 23 March 2021.



### Budget announcements – Green Gilt and New green NS&I account

Following an announcement last November, the Budget confirmed that the government will issue its first sovereign green bond – or green gilt – this summer, with a further issuance to follow later in 2021 as the UK looks to build out a ‘green curve’.

The green gilt framework, to be published in June, will detail the types of expenditures that will be financed to help meet the government’s green objectives.

The Budget also confirmed that in the Summer of 2021 NS&I will offer the world's first sovereign green retail savings account, linked to the above-mentioned Green Gilt. Interest rates have not yet been announced, but the funds raised will be used to fund projects on renewable energy and will give all UK savers the opportunity to take part in the collective effort to tackle climate change.



### **When does this come into effect?**

We have to wait until the Summer for full details of this new investment opportunity.



### **What should financial planners do next?**

*Those clients who have not used their full ISA allowance should be reminded to do so before the end of the tax year.*

*Those wishing to withdraw funds from their LISA with a reduced charge, should do this by 5 April 2021.*

*By saving towards their future, families can give children a significant financial asset when they reach adulthood – helping them into higher education, training, or work. Junior ISAs (JISAs) and Child Trust Funds (CTFs) are tax-advantaged accounts for children, designed to encourage a long-term savings habit through tax efficiencies. No new CFTs can be set up but contributions can continue to the established ones.*

*JISAs can only be established by parents or legal guardians though anyone can then contribute. For parents who are not happy with the fact that the child will become (in effect) fully entitled to the JISA at age 18 an alternative of collective investments held in an appropriate trust could be considered. Properly structured these could deliver tax efficiency and control.*



### **Learn more about savings and investments**

[Child Trust Fund](#)

[Enterprise Investment Scheme](#)

[ISAs](#)

[National Savings](#)

[Venture Capital Trusts](#)

## 6. PENSIONS



### Budget announcements - Rates and allowances

The Chancellor today confirmed that the Lifetime Allowance (LTA) will be frozen at £1,073,100 until April 2026.



### When does this come into effect?

The LTA was planned to increase by CPI each year as it has done since 2018/2019. The annual increases now won't take place until at least April 2026.



### What should financial planners do next?

*The change has little immediate impact as due to low inflation the LTA was only expected to increase by around £5,800 in 2021/22.*

*A much bigger issue will be the removal of future increases. If the LTA had continued to be uplifted with inflation it would be around £1.2m by April 2026. It will now be around £125,000 less than this. This means clients would miss out on up to £31,250 of extra tax-free cash.*

*Advisers with clients who have funds close to or exceeding the LTA may need to review any previous decisions in respect of continuing to fund their pensions and for those who have chosen to defer crystallising their benefits based on the expectation of inflationary increases.*

*Individual Protection 16 and Fixed Protection 16 are still available where the client is eligible and can offer a protection LTA of up to £1.25m.*

*The good news is that all the other benefits or pensions remain. Personal contributions can benefit from income tax relief at the client's highest marginal rates, employers can benefit from corporation tax relief, the funds grow free of income tax and capital gains tax, 25% tax free cash is still available and most pension funds sit outside of the estate for inheritance tax purposes.*

*When the corporation tax rates increase from April 2023 the benefits of making employer contributions will be even greater for those companies subject to 25% corporation tax relief. Pension contributions may also be able to keep profits below relevant thresholds and ensure the company pays a lower rate of corporation tax.*



## Budget announcements – pensions regulation

The government will consult on whether certain costs within the pension fund charge cap affect schemes' ability to invest in a broader range of assets. The aim is to ensure the cap doesn't discourage pension schemes from investments that may be able to offer the highest possible returns for savers.

DWP will also produce draft regulations aiming to make it easier for schemes to take up investment opportunities within the charge cap by smoothing certain performance fees over a multi-year period.



## When does this come into effect?

The consultation document is due within the next month.



## Learn more about the Lifetime Allowance charge

[Lifetime Allowance](#)

## 7. SEISS AND THE CJR SCHEME



### Budget announcements – the Self-Employment Income Support Scheme

As promised on 5 November, the government has now set out details of the Self-Employment Income Support Scheme (SEISS) grant covering 1 February 2021 to 30 April 2021 – the fourth grant.

This fourth SEISS grant will be set at 80% of three 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 tax year 2019/20. The rest of the eligibility criteria remain unchanged.

Eligibility for the scheme will now be based on the submitted 2019/20 tax return, so this may also affect the amount of the fourth grant which could be higher or lower than previous grants an individual may have received.

To be eligible for the fourth grant an individual must be a self-employed sole trader or a member of a partnership.

To work out their eligibility HMRC will first look at their 2019/20 self-assessment tax return. Their trading profits must be no more than £50,000 and at least equal to their non-trading income.

If they're not eligible based on their 2019/20 self-assessment tax return, HMRC will then look at the tax years 2016/17, 2017/18, 2018/19 and 2019/20.

The individual must also have traded in both tax years:

- 2019/20 and submitted their tax return by 2 March 2021
- 2020/21.

The individual must either:

- be currently trading but are impacted by reduced demand due to coronavirus
- have been trading but are temporarily unable to do so due to coronavirus.

The individual must also declare that:

- they intend to continue to trade;
- they reasonably believe there will be a significant reduction in their trading profits due to reduced business activity, capacity, demand or inability to trade due to coronavirus.

The fourth grant will be a taxable grant calculated at 80% of three months' average trading profits. The fourth grant will be paid out in a single instalment and capped at £7,500 in total.

To allow HMRC to process recently submitted 2019/20 self-assessment tax returns, the online claims service for the fourth grant will be available from late April 2021 until 31 May 2021.

If an individual is eligible, HMRC will contact them in mid-April to give them their personal claim date. This will be the date that they can make their claim from.

The government has also announced that there will be a fifth and final grant covering May to September.

An individual will be able to claim from late July if they are eligible for the fifth grant.

The amount of the fifth grant will be determined by how much the individual's turnover has been reduced in the year April 2020 to April 2021.

The fifth grant will be worth:

- 80% of three months' average trading profits, capped at £7,500, for those with a turnover reduction of 30% or more;
- 30% of three months' average trading profits, capped at £2,850, for those with a turnover reduction of less than 30%.

Further details will be published by HMRC in due course.



### **When do these changes come into effect?**

These will take effect as set out above.



### **What should financial planners do next?**

*Ensure affected self-employed clients are fully aware of the changes.*



### **Budget announcements – the Coronavirus Job Retention Scheme**

The Coronavirus Job Retention (Furlough) Scheme (CJRS) has been extended until 30 September 2021 and 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 their furloughed employees' wages. To be eligible for the grant they must continue to pay their furloughed employees 80% of their wages, up to a cap of £2,500 per month for the time they spend on furlough.

The table below shows the level of government contribution available in the coming months, the required employer contribution and the amount that the employee receives per month where the employee is furloughed 100% of the time.

Wage caps are proportional to the hours not worked.

	May	June	July	August	September
<b>Government contribution: wages for hours not worked</b>	80% up to £2,500	80% up to £2,500	70% up to £2,187.50	60% up to £1,875	60% up to £1,875
<b>Employer contribution: employer National Insurance contributions and pension contributions</b>	Yes	Yes	Yes	Yes	Yes
<b>Employer contribution wages for hours not worked</b>	No	No	10% up to £312.50	20% up to £625	20% up to £625
<b>For hours not worked employee receives</b>	80% up to £2,500 per month	80% up to £2,500 per month	80% up to £2,500 per month	80% up to £2,500 per month	80% up to £2,500 per month

Employers can continue to choose to top up their employees' wages above the 80% total and £2,500 cap for the hours not worked at their own expense.



### When do these changes come into effect?

These changes will take effect as set out above.



### What should financial planners do next?

*Ensure affected employer clients are made aware of the changes.*





## Relevant sources of information

[Self-Employment Income Support Scheme fourth grant](#)

[Check if you can claim for your employees' wages through the Coronavirus Job Retention Scheme](#)

[Coronavirus Job Retention Scheme: step by step guide for employers](#)



## **Learn more about the Self-Employment Income Support Scheme and the Coronavirus Job Retention Scheme**

[Corporation Tax](#)

[Trading Income](#)

[Employment Income](#)

[Covid 19 - Whatever It Takes](#)

## 8. INHERITANCE TAX



### Budget announcements

The inheritance tax thresholds will be maintained at their existing level until April 2026.

The inheritance tax nil-rate band will continue at £325,000 and the residence nil-rate band at £175,000.

The residence nil-rate band taper will continue to start at £2 million.



### When does this come into effect?

This is continuation of the current position.



### What should financial planners do next?

*This means that qualifying estates with qualifying beneficiaries can still pass up to £500,000 free of IHT and married couples or civil partners up to £1m. The nil rate band threshold has been frozen since 2009 and the freeze continues for the next five years at least. Therefore, as clients' wealth continues to rise planning to mitigate IHT should be started as early as possible.*

*In addition, the Government has announced that further tax consultations will be published on 23 March so we need to look out for those that may be relevant to advisers involved in estate planning.*



### Relevant sources of information

[Annex A: rates and allowances](#)



### Learn more about Inheritance Tax:

[Inheritance tax fundamentals](#)

[Inheritance tax planning](#)

## 9. TRUST TAXATION



### Budget announcements

There have been no announcements in the Budget in relation to trusts.

The annual CGT exemption affects trustees and remains at the current level of £6,150 for trusts in 2021/22. This limit will be diluted according to the number of trusts created by the same settlor but will not be less than £1,230 per trust.

The Budget also announced that the annual exemption will remain at the present level until April 2026.



### When does this come into effect?

This is continuation of the current position.



### What should financial planners do next?

*While the Budget does not provide any immediate planning points, financial planners need to be aware of the ongoing review of trusts being carried out by the Government as well as the extension of the Trust Registration Service. In addition, the Government has announced that further tax consultations will be published on 23 March so we need to look out for those that may be relevant to trusts.*



### Learn more about trust taxation

[Trust taxation](#)

## 10. EMPLOYEE BENEFITS



### Budget announcements

Covid-related Statutory Sick Pay (SSP) – The government expanded statutory sick pay in order that employees can claim if they are asked to self-isolate also changing the rules so that COVID-19 related SSP is payable from day one rather than day four. This measure applies to England, Scotland and Wales, with similar provisions in Northern Ireland.

As covered in the NIC section, the income tax and NIC exemption for the cost of home office equipment expenses reimbursement has been extended for the 2021/22 tax year.

The income tax exemption and NICs disregard for COVID-19 antigen tests provided by, or reimbursed by, employers will also be extended to tax year 2021/22.

The Government has relaxed the qualifying journeys condition for the cycle to work scheme.



### When does this come into effect?

Continuation of policy already in force



### What should financial planners do next?

*Making sure clients are aware of the up to date position*



### Relevant sources of information

[Benefit and pension rates 2021 to 2022](#)

[Extension to the temporary Income Tax and National Insurance contribution exemption for home-office expenses](#)

[Easement for employer provided cycles exemption](#)



### Learn more about COVID support

[Statutory Sick Pay \(SSP\)](#)

[Budget 2020](#)

## 11. CORPORATION AND BUSINESS TAX



### Budget announcements – Corporation tax

The chancellor announced that corporation tax would rise to 25% for some businesses from 1 April 2023.

Small businesses, with profits of up to £50,000, will continue to pay corporation tax at 19%. The rate of corporation tax will be tapered “upwards” on profits between £50,000 and £250,000 where the full 25% tax rate will apply.



### When does this come into effect?

The changes come into effect from 1 April 2023.



### What should financial planners do next?

*Financial planners should always seek to be at the heart of planning for SME owners in relation to their business and personal tax planning. This will be even more so ahead of the announced tax changes taking effect from 1 April 2023.*

*Where the increased rate of corporation tax will apply (and maybe even more so in relation to profits that fall to be taxed at what might be a higher marginal rate between the £50,000 and £250,000 profit levels) then there will be a heightened need to review:*

- *Expenditure to generate corporate tax relief (commercial and non-tax considerations permitting of course). Deductible contributions to registered pension arrangement immediately spring to mind, with increased “front end” relief when the higher rates of corporation tax are in point.*
- *Remuneration strategies. The dividend/salary comparison will need to be completely reviewed in order to be sure that a strategy to deliver optimum outcomes is decided and implemented.*

*Both of these reviews will offer great opportunities to collaborate with the client’s accountants.*



### Budget announcements – the Self-Employment Income Support Scheme and the Coronavirus Job Retention Scheme

The Coronavirus Job Retention (Furlough) Scheme has been extended until September, and the government has also set out details of the Self-Employment Income Support Scheme grant covering 1 February 2021 to 30 April 2021 – the fourth grant.

This is all covered in the section on the Self-Employment Income Support Scheme and the Coronavirus Job Retention Scheme.

Note that to be eligible for the fourth Self-Employment Income Support Scheme grant the individual must be a self-employed sole trader or a member of a partnership.



### **When does this come into effect?**

This is a continuation of the existing Coronavirus Job Retention (Furlough) Scheme and Self-Employment Income Support Scheme.



### **What should financial planners do next?**

*Ensure your business owning clients are aware of the changes and the impact the changes may have on their business.*



### **Budget announcements – Grants, Loans and Business Rates**

Restart Grants of between £6,000, for non-essential retail, and £18,000, per premises, for hospitality, accommodation, personal care, gym and leisure business will be available to assist with re-opening businesses in England. The government is also providing all local authorities in England with an additional £425 million of discretionary business grant funding, on top of the £1.6 billion already allocated.

The application period ends on 31 March 2021 for the Bounce Back Loan, Coronavirus Business Interruption Loan Scheme (CIBLS) and Coronavirus Large Business Interruption Loan Scheme (CLBILS). Recovery loans from £25,000 up to £10m will then be available through to the end of this year. The government will guarantee 80% of these loans for the lenders. The new scheme will be open to all businesses, including those who have already received support under the existing COVID-19 guaranteed loan schemes.

The government will also raise awareness of enforcement action in order to deter fraud, and will significantly strengthen law enforcement for Bounce Back Loans.

It was announced that the 100% Business Rate Holiday will continue until the end of June 2021. This will be followed by 66% business rate relief from the period 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.

An interim report on the Government's review of business rates will be published on 23 March 2021 and a final report will be published in the autumn.



### **When does this come into effect?**

The Recovery Loan scheme launches on 6 April and is open until 31 December, subject to review. Loans will be available through a network of accredited lenders, whose names will be made public in due course.

The Restart Grants will be available from 1 April 2021 for qualifying business owners.



### **What should financial planners do next?**

*Ensure your business owning clients are aware of the various grants, loans and holiday rates which are designed to help their business thrive.*



### **Budget announcements – The “Super-Deduction”**

For the next two years, when a company makes qualifying expenditure, they can reduce their taxable income by 130% of the cost. With the corporation tax rate at 19% this would mean that qualifying expenditure of £100,000 would deliver a tax reduction of 19% of £130,000 = £24,700, roughly 25% of the amount actually spent.

This has been described as the biggest tax cut in modern British history.

It is covered in our section on Capital Allowances.



### **When does this come into effect?**

The deduction will be available for qualifying capital expenditure incurred from 1 April 2021 up to and including 31 March 2023.



### **What should financial planners do next?**

*Where your client’s businesses are considering making a qualifying investment in order to thrive or grow, the tax relief available makes this even more attractive.*

*This represents a unique opportunity for business growth in a very tax efficient manner.*



## Budget announcements – Extended loss carry back

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.

### Companies

The existing one year carry back rule (which continues) is, broadly, unlimited.

Under the new rule, losses incurred for accounting periods ending between 1 April 2020 and 31 March 2022, can be carried back for up to three years, with losses required to be set against profits of most recent years first before carry back to earlier years. The maximum loss that can be used under these new rules is of £2 million for each of the two periods. Groups will be subject to a group cap of £2 million for each relevant period.

### Unincorporated businesses

No change is proposed to the current rules, which allow a trade loss for a tax year to be set against general income of the loss-making year and/or the previous year. There is a limit on the amount of certain income tax reliefs, including trade loss relief against general income, that can be used to reduce total taxable income – this is the higher of £50,000 or 25% of adjusted total income. This limit does not apply to losses used against profits of the same trade. Therefore, losses set against profits of the same trade of the previous year, as part of a claim for trade loss relief against general income, are not subject to a limit.

For trade losses of tax years 2020/21 and 2021/22 it is intended to provide additional relief by allowing unrelieved losses to be carried back and set against profits of the same trade for three years before the tax year of the loss. The maximum loss that can be used under these new rules is £2 million for each of the two periods. However, unlike with companies in groups, there is no partnership level cap.



### When does this come into effect?

Under the new rule, losses incurred for accounting periods ending between 1 April 2020 and 31 March 2022 (companies) or for tax years 2020/21 and 2021/22 (unincorporated businesses) can be carried back for up to three years.





## What should financial planners do next?

*Where your clients have available losses, ensuring they are utilised will improve and increase the business's future success. It's essential to liaise with the clients' accountants on this one. But it's equally essential to be aware of the rule.*



## Relevant sources of information

[HM Treasury Guidance: Corporate tax](#)

[HM Treasury Guidance: Recovery Loan Scheme](#)

[HM Treasury Guidance: Super-deduction](#)

[HM Treasury Guidance: Extended Loss Carry Back for Businesses](#)



## Learn more about corporation and business tax

[Corporation Tax](#)

[Trading Income](#)

## 12. TAXATION OF SHAREHOLDER DIRECTORS



### Budget announcements – Income Tax Thresholds and rates

The Chancellor announced that the income tax Personal Allowance will rise with CPI as planned to £12,570 from 6 April 2021 but will then remain at this level until April 2026. The income tax higher rate threshold will rise as planned to £50,270 from 6 April 2021 and will remain at this level until April 2026. The additional rate threshold will remain at £150,000.

The rates of income tax were unchanged for dividend, savings and non-savings income. In relation to the remuneration of 'owner managers' from their business the rates for non-dividend income beyond the allowances are 20%, 40% and 45%. For dividends that exceed the £2,000 dividend allowance, they will be taxed at 7.5%, 32.5% and 38.1% .as appropriate. See also below.



### When does this come into effect?

The changes come into effect on 6<sup>th</sup> April 2021 and will remain in force until 5<sup>th</sup> April 2026.



### Budget announcements - National Insurance Changes

It was announced in the 2021 Budget that the National Insurance Contributions (NICs) Primary Threshold and Lower Profits Limit for employees and the self-employed respectively will increase to £9,568 in 2020/21.

The Upper Earnings Limit (UEL)/Upper Profits Limit (UPL) moves to £50,270, in line with the income tax HRT. The UEL/UPL will then remain aligned with the HRT at £50,270 until April 2026.



### When does this come into effect?

The changes come into effect from 6 April 2021.



### Budget announcements - Dividend Allowance and Personal Allowance

The dividend allowance will remain £2,000 for the 2021/22 tax year. As noted above, the rates of tax on dividend income above the £2,000 threshold will remain at 7.5% for dividends falling within the basic rate band, 32.5% within the higher rate band and 38.1% if they fall above the threshold for additional rate tax.



## What should financial planners do next?

*Ensuring an efficient remuneration strategy is agreed and implemented is important and something to pay close attention to each year. This year and the next two tax years are no exception.*

*At an appropriate time before the new corporation tax rates are introduced in 2023, shareholding directors who's companies will be affected by the new rates should give careful consideration (with their professional advisers) to the tax efficiency of their remuneration strategy.*

*A salary payment will usually be an allowable business expense and will provide a corporation tax deduction. Therefore by increasing the salary to the new NICs threshold (which one?) would usually be tax efficient as the payment will be capable of being made in a way that is free of income tax and NICs and with a corporate tax deduction. Dividends come into consideration after this.*

*For couples where one is a shareholder in a private, "owner managed company" and the other is not then, subject to any non-tax considerations and provided that fully participating shares are used, thought should be given to the income tax (and potential longer term) CGT benefits that a transfer of shares could deliver if the transferee's income tax rate is lower than that of the transferor. Where the couple are not married or in a civil partnership though serious thought would need to be given to the possible CGT and IHT implications of the transfer.*

*Of course if any income from employment is to be paid to a spouse or partner of an owner manager then it is essential, for the payment to be a deductible expense for the paying company for the payment to have been made wholly and exclusively for the benefit of the company's trade. In other words, justified by work carried out.*



### Relevant sources of information

[Budget 2021](#)



### Learn more about the taxation of shareholder directors

[Share purchase for private company shareholders](#)

[Corporate Investment](#)

[Dividends](#)

## 13. CAPITAL ALLOWANCES



### Budget announcements – Super deduction and 50% first-year allowances

The Chancellor announced a ‘super deduction’ for companies when they undertake investment in their business.

The effect of this measure will mean that companies investing in qualifying new plant and machinery assets will benefit from a 130% first-year capital allowance. This upfront super-deduction will allow companies to cut their tax bill by up to 25p for every £1 they invest.

Investments in assets qualifying for special rate relief (including long life assets) will also benefit from a 50% first-year allowance.

Legislation will be included in the Spring Finance Bill 2021 to implement these measures, including amendments to the Capital Allowances Act 2001.



### When does this come into effect?

This relief will apply to qualifying capital expenditure incurred from 1 April 2021 up to and including 31 March 2023, for corporation tax.



### Budget announcements – Annual Investment Allowance (AIA) extension

As a reminder and as announced in the Spending Review on 12 November, the temporary £1,000,000 limit for the AIA will be extended by one year.

Companies, individuals, and partnerships consisting only of individuals, are able to claim the AIA in respect of their qualifying expenditure on plant and machinery.

The cap was originally due to revert to £200,000 on 1 January 2021.

Legislation will be included in Finance Bill 2021 to implement this.



### When does this come into effect?

This change will have effect from 1 January 2021 to 31 December 2021.



## What should financial planners do next?

*These will no doubt be welcomed measures as it will enable businesses to invest in productivity-enhancing plant and machinery assets to help build back what they have lost as a result of the pandemic.*



## Relevant sources of information

[Super deduction and 50% first-year allowances](#)

[Annual Investment Allowance \(AIA\) extension](#)



## Learn more about the taxation of capital allowances

[Capital Allowances](#)

## 14. PROPERTY RELATED CHANGES



### Budget announcements – Extension of SDLT holiday

The Chancellor confirmed that the government will extend the temporary increase in the residential SDLT 'nil rate band' to £500,000 in England and Northern Ireland until 30 June 2021. From 1 July 2021, the Nil Rate Band will reduce to £250,000 until 30 September 2021.



### When does this come into effect?

The temporary increase in the residential SDLT nil rate band was due to end on 31 March. Instead, in order to help those people who have purchases "in the pipeline" the current holiday from the standard rate of SDLT on the first £500,000 of a residential property purchase price will now continue until 30th June this year. From 1 July 2021, the SDLT residential nil rate band will reduce to £250,000 until 30 September 2021 before returning to £125,000 on 1 October 2021.



### What should financial planners do next?

*It is important to note that these concessions apply to first time buyers of residential property as well as those who are buying additional residential properties. Although the 3% surcharge remains applicable for those buying additional residential properties, the extension of the 'holiday' from SDLT at the standard rate extends the opportunity for property investors to make SDLT savings on purchases of residential properties and for existing property investors to make transfers of existing properties to companies for a further six months.*

*Clients who are in the process of purchasing a new property - be it a new residence or a buy-to-let property - should therefore be encouraged to try to complete the purchase before 30<sup>th</sup> June 2021 (all other things being equal) or failing that before 30 September in order to benefit from these savings.*



### Budget announcements – Mortgage Guarantee Scheme

The Chancellor announced the introduction of a new government-backed mortgage guarantee scheme designed to increase the availability of high loan-to-value mortgage products to those with small deposits. Under the scheme, the Government will provide a guarantee to lenders across the UK who offer mortgages with a loan-to-value between 91% and 95% to buyers of UK residential properties with a purchase value of £600,000 or less. The scheme will also give all buyers the opportunity to fix their initial mortgage rate for at least five years should they wish to do so.

While the scheme is not restricted to first time buyers, mortgages taken out by companies or by individuals to acquire second homes or buy-to-let properties will not be eligible for a guarantee under the scheme.



### **When does this come into effect?**

The scheme will come into effect in April 2021 and apply to new mortgage applications made before 31 December 2022.



### **Budget announcements – Changes to Corporation Tax rates**

It was announced today that the maximum rate of Corporation Tax will increase with effect from 1 April 2023 to 25% for companies with annual profits in excess of £250,000. Companies with annual profits of less than £50,000 per annum will benefit from a 'small companies' rate equivalent to the current rate of 19%; while companies with annual profits between £50,000 and £250,000 will benefit from some relief from the highest rate in accordance with a sliding scale. These impending changes to corporation tax rates will be relevant to property investors holding buy-to-let property within a corporate structure.



### **When does this come into effect?**

The changes to Corporation Tax will take effect from 1<sup>st</sup> April 2023.



### **What should financial planners do next?**

*Property investor clients who hold or who are considering transferring property investments into a corporate structure to save tax on rental profits will need to be mindful of the new corporation tax regime if they expect net rental income to exceed £50,000. Nonetheless, clients who are higher rate taxpayers are still likely to benefit from holding buy-to-let property in a corporate structure – particularly if taxed rental profits are below £250,000 and these profits can be extracted tax-efficiently (e.g. in the form of loan repayments) or accumulated in the company for future investment.*



### **Relevant sources of information**

[Extension of SDLT holiday](#)  
[Mortgage Guarantee Scheme](#)  
[Changes to Corporation tax rates](#)



## **Learn more about Property tax**

[Property Investments](#)

[Rental income](#)

[Stamp Duty](#)



## 15. TAX AVOIDANCE

It wouldn't be a Budget without a raft of new targeted anti-avoidance provisions. But this year is a relatively light one – especially in relation to the financial planning sector. Given the Chancellor's commitment for the restoring of public finances over time one might have expected to see more. Tax increases and restricting reliefs are one thing but a significant positive contribution can be made to the “effort” by gathering in the tax anticipated by the legislation. And that means continuing to focus on shutting down avenues for “tax leakage” through deployment of targeted anti-avoidance measures to work ahead of and alongside the General Anti Abuse Rules (GAAR).



### **Budget announcements – 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.



### **When does this come into effect?**

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.



### **Budget announcements – Powers to tackle electronic sales suppression (ESS)**

The government will introduce new powers to make the possession, manufacture, distribution and promotion of ESS software and hardware an offence. This will enable HMRC to tackle tax evasion undertaken by those businesses that use software and hardware to hide or reduce the value of transactions and the corresponding tax liabilities. New ESS-specific information powers will allow HMRC investigators to identify developers and suppliers in the ESS supply chain and access software developers' source code.



### **Budget announcements – OECD reporting rules for digital platforms**

The government will consult on the implementation of 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.



### Budget announcements – OECD Mandatory Disclosure Rules

The government will consult on the implementation of OECD rules to combat offshore tax evasion by facilitating global exchange of information on certain cross-border tax arrangements.



### Budget announcements – Tackling promoters of tax avoidance

The government is publishing a summary of responses following the recent consultation ‘Tackling Promoters of Tax Avoidance’. This sets out a package of measures to strengthen existing anti-avoidance regimes and tighten the rules designed to tackle promoters and enablers of tax avoidance schemes.



### Budget announcements – Follower Notice penalties

The government is reducing the penalties that may be charged to people receiving Follower Notices as a result of using tax avoidance schemes, from 50% to 30% of the tax under dispute. A further penalty of 20% will be charged if the Tax Tribunal decides that the recipient’s continued litigation against HMRC is unreasonable. A summary of responses to the consultation is being published alongside Budget.



### Budget announcements – Preventing abuse of the Research and Development (R&D) relief for small and medium-sized enterprises (SMEs)

The amount of SME payable R&D tax credit that a business can receive in any one year will be capped at £20,000 plus three times the company’s total PAYE and NICs liability, in order to deter abuse.



### When does all of the above come into effect?

For accounting periods beginning on or after 1 April 2021



### What should financial planners do next?

*A robust package of targeted anti-avoidance measures has become the standard offering at Budget time. This years Budget contains fewer than past years. Few, if any, of those measures listed above (though that list is not exhaustive) will have a major impact on the financial planning strategies created and implemented by most financial planners. The constant flow of TAARs, the GAAR, successful litigation, extended DOTAS provisions and constant negative publicity against aggressive avoidance have, on the whole, helped to ensure that the market for aggressive tax planning has all but disappeared. Against that background financial planners have a very positive message to deliver surrounding the tried and tested strategies deployed by the sector,*

*including tax efficient pensions, ISAs, EIS and VCT investments, collective investments and investment bonds plus the wide range of inheritance tax plans ...to name just a few. None of which, used in the way the legislation intended, are subject to any threat from the latest swathe of anti-avoidance provisions.*



**Learn more about tax avoidance**

[Tax avoidance](#)

## 16. SOCIAL SECURITY BENEFITS



### Budget announcements - Universal Credit and Working Tax Credit

A temporary £20 per week increase to the Universal Credit standard allowance and Working Tax Credit basic element for 2020/21 was introduced in March 2020 across England, Scotland and Wales. The Northern Ireland Executive has been funded to replicate this change in Northern Ireland.

The government is extending the temporary £20 per week increase to the Universal Credit standard allowance for a further six months in Great Britain, on top of the planned uprating. This measure will apply to all new and existing Universal Credit claimants. The Northern Ireland Executive will be funded to match this increase.

The government is also making a one-off payment of £500 to eligible Working Tax Credit claimants across the UK, to provide continued extra support over the next six months.

The government will continue to treat Working Tax Credit claimants across the UK who have been furloughed, or experienced a temporary reduction in their working hours as a result of COVID-19, as working their normal hours for the duration of the Coronavirus Job Retention Scheme (CJRS). This allows these claimants to remain eligible for Working Tax Credit.

The government will maintain the higher surplus earnings threshold of £2,500 for Universal Credit claimants for a further year until April 2022, when the threshold will revert to £300.

The government will support claimants to keep more of their Universal Credit awards while ensuring they meet their financial obligations by bringing forward previously announced changes. From April 2021, the period over which Universal Credit advances will be recovered will increase to 24 months, while the maximum rate at which deductions can be made from a Universal Credit award will reduce from 30% to 25% of the standard allowance. These measures were previously due to be implemented from October 2021.

In March 2020 the government suspended the Minimum Income Floor (MIF) for self-employed Universal Credit claimants. This measure applies to England, Scotland and Wales; the Northern Ireland Executive was given additional funding to provide similar support. The government will continue the suspension of the MIF for self-employed Universal Credit claimants until the end of July 2021. The MIF will be gradually reintroduced from August, but DWP work coaches will be given discretion to not apply it on an individual basis where they assess that claimants' earnings continue to be affected by COVID-19 restrictions.



### When do these changes come into effect?

These will take effect as set out above.



## What should financial planners do next?

*Ensure affected clients are fully aware of the changes.*



## Budget announcements – Other welfare related announcements

**Support for Mortgage Interest** - The government will help Support for Mortgage Interest claimants in Great Britain to move home by allowing them to add the legal costs associated with transferring their claim to a new property to the value of their loan from 15 March 2021. The Northern Ireland Executive will be funded to replicate this change in Northern Ireland.

**Shared Accommodation Rate** - From June 2021, care leavers up to the age of 25 and those under the age of 25 who have spent at least three months in a homeless hostel will be exempt from the Shared Accommodation Rate (SAR) in Universal Credit and Housing Benefit, helping more vulnerable people access suitable housing. These measures were previously due to be implemented from October 2023. These measures apply in Great Britain, and the Northern Ireland Executive will be funded to similarly bring forward implementation of these measures.

**Job Entry Targeted Support** - The government is providing a total of over £200 million to expand the scope of the Work and Health Programme in Great Britain to introduce additional voluntary support for those on benefits that have been unemployed for more than three months. Job Entry Targeted Support (JETS) launched in England and Wales in October 2020 and in Scotland from January 2021. This scheme is expected to support over 250,000 people. This expansion will have no impact on the existing provision for those with illnesses or disabilities in England and Wales.

**Test and Trace Support Payments** - In September the government announced that all eligible people in England told to self-isolate due to COVID-19 would receive a one-off payment of £500. This is for individuals who are employed or self-employed, unable to work from home and will lose income as a result, and in receipt of certain means-tested benefits. On 22 February 2021, the government expanded the scheme to cover parents who are unable to work because they are caring for a child who is self-isolating.



## When do these come into effect?

These changes will take effect as set out above.



### What should financial planners do next?

*Ensure affected clients are made aware of the changes.*



### Learn more about social security benefits

[Social Security Benefits](#)

## APPENDIX 1: FACTS AND FIGURES

### MAIN INCOME TAX ALLOWANCES

	2020/21	2021/22
	£	£
Personal allowance – standard	12,500	12,570
Personal allowance reduced if total income exceeds <sup>∞</sup>	100,000	100,000
Transferable tax allowance (marriage allowance) <sup>§</sup>	1,250	1,260
Married couple's allowance* – minimum amount	3,510	3,530
– maximum amount	9,075	9,125
Maintenance to former spouse *	3,510	3,530
Married couple's allowance reduced if total income exceeds <sup>¶</sup>	30,200	30,400
Employment termination lump sum limit	30,000	30,000

<sup>∞</sup> For 2020/21 and 2021/22 the reduction is £1 for every £2 of additional income over £100,000. As a result, there is no personal allowance if total income exceeds £125,140 in 2021/22 (or £125,000 in 2020/21).

<sup>§</sup> Available to spouses and civil partners born after 5 April 1935, provided neither party pays tax at above basic rate.

\* Relief at 10%. Available only if at least one of the couple was born before 6 April 1935.

<sup>¶</sup> For 2020/21 and 2021/22 the reduction is £1 for every £2 of additional income over the total income threshold. **Only** the standard allowance is available if total income exceeds:-

	2020/21	2021/22
	£	£
Taxpayer born before 6 April 1935 [married couple's allowance]	41,330	41,590

## INCOME TAX RATES (UK EXCLUDING SCOTTISH TAXPAYERS' NON-DIVIDEND, NON-SAVINGS INCOME)

	2020/21	2021/22
	£	£
Starting rate	0%	0%
Starting rate on savings income	1-5,000	1-5,000
Personal savings allowance (for savings income)		
- Basic rate taxpayers	1,000	1,000
- Higher rate taxpayers	500	500
- Additional rate taxpayers	Nil	Nil
Basic rate	20%	20%
Maximum tax at basic rate+	7,500+¶	7,540+¶
Higher rate - 40%	37,501- 150,000+¶	37,701- 150,000+¶
Tax on first £150,000+	52,500+¶	52,460+¶
Additional rate on income over £150,000	45%¶	45%¶
Discretionary and accumulation trusts (except dividends) °	45%	45%
Discretionary and accumulation trusts (dividends) °	38.1%	38.1%
Dividend nil rate band (dividend allowance)	1-2,000	1-2,000
Basic rate on dividends	7.5%	7.5%
Higher rate on dividends	32.5%	32.5%
Additional rate on dividends	38.1%	38.1%
Property allowance	£1,000	£1,000
Trading allowance	£1,000	£1,000
Rent-a-room relief	£7,500	£7,500



+ Assumes starting rate band not available and personal savings allowance is ignored.

If full starting rate band is available:

- £6,540 on first £37,700 in 2021/22 and £6,500 on first £37,500 in 2020/21; and
- £51,460 in 2021/22 and £51,500 in 2020/21 on first £150,000.

¶ For Scotland, the 2021/22 tax bands and tax rates, which cover only non-dividend and non-savings income, are:

19% starter rate on income up to	£2,095
20% basic rate on next slice of income up to	£12,722
21% intermediate rate on next slice up to	£30,860
41% higher rate on next slice up to	£150,000
46% top rate on income over	£150,000

Wales can now set its own tax rates, but adhered to the UK bands for 2020/21 and will do so again in 2021/22.

- Up to the first £1,000 of gross income is generally taxed at the standard rate, ie. 20% or 7.5% as appropriate.

## INHERITANCE TAX

	Cumulative chargeable transfers [gross]		tax rate on death %	tax rate in lifetime* %
	2020/21 £	2021/22 £		
Nil rate band+	325,000	325,000	0	0
Residence nil rate band¶	175,000	175,000	0	N/A
Residence nil rate band reduced if estate exceeds°	£2,000,000	£2,000,000	N/A	N/A
Excess above available nil rate band(s)	No limit	No limit	40 <sup>∞</sup>	20

\* Chargeable lifetime transfers only.

+ On the death of a surviving spouse on or after 9 October 2007, their personal representatives may claim up to 100% of any unused proportion of the nil rate band of the first spouse to die (regardless of their date of death).

¶ On the death of a surviving spouse on or after 6 April 2017, their personal representatives may claim up to 100% of any residence nil rate band of the first spouse to die (regardless of their date of death, but subject to the tapered reduction – see below).

° For 2021/22 and 2020/21 the tapered reduction is £1 for every £2 additional estate over £2,000,000. As a result, there is no residence nil rate band available in 2021/22 and 2020/21 if the total estate exceeds £2,350,000 (£2,700,000 on second death if the full band is inherited).

∞ 36% where at least 10% of net estate before deducting the charitable legacy is left to charity.

## CAPITAL GAINS TAX

### Main exemptions and reliefs

	<b>2020/21</b> <b>£</b>	<b>2021/22</b> <b>£</b>
Annual exemption	12,300*	12,300*
Principal private residence exemption	No limit	No limit
Chattels exemption	£6,000	£6,000
Business asset disposal relief	Lifetime cumulative limit £1,000,000. Gains taxed at 10%	Lifetime cumulative limit £1,000,000. Gains taxed at 10%

\* Reduced by at least 50% for most trusts.

### Rates of tax

Individuals:	10%	on gains within UK basic rate band, 20% for gains in UK higher and additional rate bands
Trustees and personal representatives:	20%	
Additional rate for residential property and carried interest gains	8%	

## CORPORATION TAX

	Year Ending 31 March	
	<b>2021</b>	<b>2022</b>
Main rate	19%	19%

## TAX PRIVILEGED INVESTMENTS (MAXIMUM INVESTMENT)

	2020/21 £	2021/22 £
<b>ISA</b>		
Overall per tax year:	20,000	20,000
Maximum in cash for 16 and 17 year olds	20,000	20,000
Junior ISA (additional to overall limit for 16-17 year olds)	9,000	9,000
Lifetime ISA	4,000	4,000
<i>Help to buy ISA</i> <sup>o</sup>	<i>£200 a month</i>	<i>£200 a month</i>

<b>ENTERPRISE INVESTMENT SCHEME</b> (30% income tax relief)	2,000,000*	2,000,000*
Maximum carry back to previous tax year for income tax relief	2,000,000	2,000,000
<b>SEED ENTERPRISE INVESTMENT SCHEME</b> (50% income tax relief)	100,000¶	100,000¶
<b>VENTURE CAPITAL TRUST</b> (30% income tax relief)	200,000	200,000

<sup>o</sup> Closed to new investors from 1 December 2019. Existing investors may continue to contribute.

\* Income tax-relieved investment above £1m must be in knowledge-intensive companies. No limit for CGT reinvestment relief.

¶ 50% CGT reinvestment exemption in 2020/21 and 2021/22

## PENSIONS

	2020/21	2021/22
Lifetime allowance*	£1,073,100	£1,073,100
Lifetime allowance charge:		
Excess drawn as cash		55% of excess
Excess drawn as income		25% of excess
Annual allowance	£40,000	£40,000
Annual allowance taper:¶		
Threshold income limit	£200,000	£200,000
Adjusted income limit	£240,000	£240,000
Minimum annual allowance	£4,000	£4,000
Money purchase annual allowance	£4,000	£4,000
Annual allowance charge		20%-45% of excess
Max. relievable personal contribution	100% relevant UK earnings or £3,600 gross if greater	

\* May be increased under 2006, 2012, 2014 or 2016 transitional protection provisions.

¶ 50% taper down to the minimum allowance based on excess over adjusted income limit if threshold income limit is also exceeded

## NATIONAL INSURANCE CONTRIBUTIONS

<b>Class 1 Employee</b>				
	<b>2020/21</b>		<b>2021/22</b>	
	Employee	Employer	Employee	Employer <sup>+</sup>
Main NIC rate	12%	13.8%	12%	13.8%
No NICs on first:				
Under 21*	£183 pw	£962 pw	£184pw	£967 pw
21* & over	£183 pw	£169 pw	£ 184pw	£170 pw
Main NIC charged up to	£962 pw	No limit	£967 pw	No limit
Additional NIC rate on earnings over	2% £962pw	N/A	2% £967pw	N/A

\* Under 25 for apprentices

+ No employer NICs for armed forces veterans in first 12 months of employment

<b>Employment Allowance</b>		
	<b>2020/21</b>	<b>2021/22</b>
Per business*	£4,000	£4,000

\* Not available if a director is the sole employee or the previous tax year's secondary NICs were £100,000 or more

Limits and Thresholds	<b>2020/21</b>		<b>2021/22</b>	
	<b>Weekly £</b>	<b>Yearly £</b>	<b>Weekly £</b>	<b>Yearly £</b>
<b>Lower earnings limit</b>	120	6,240	120	6,240
Primary earnings threshold	183	9,500	184	9,568
Secondary earnings threshold	169	8,788	170	8,840
Upper secondary threshold – U21s*	962	50,000	967	50,270
Upper earnings limit	962	50,000	967	50,270

\* Under 25 for apprentices

Self-employed and non-employed	2020/21	2021/22
<b>Class 2</b>		
Flat rate	£3.05 pw	£3.05pw
Small profits threshold	£6,475 pa	£6,515pa
<b>Class 4</b> ( <i>Unless over state pension age on 6 April</i> )		
On profits	£9,500– £50,000 pa: 9% Over £50,000 pa: 2%	£9,568 – £ 50,270 pa: 9% Over £ 50,270 pa: 2%
<b>Class 3 (Voluntary)</b>		
Flat rate	£15.30 pw	£15.40 pw

## APPENDIX 2: CONSULTATIONS

The government had previously announced that it would be publishing a range of tax consultations and calls for evidence on 23<sup>rd</sup> March 2021. With this in mind, few consultations were announced on the day of the Budget.

### List of the tax consultations announced at Budget 2021

[Call for Evidence: Enterprise Management Incentives](#)  
[Consultation: R&D tax reliefs](#)

### Previously announced consultations

For an update on all current and previously announced tax related consultations, please see HMRC's guide 'Check the status of tax policy consultations' [here](#).