

## **Budget Review/Summary 3<sup>rd</sup> March 2021**

For many self-employed and UK businesses, the stakes could not be higher than they are right now. The last year has been the most unprecedented in our lifetimes. Support for the self-employed and SMEs is vital for those that are adjusting to the shock of the pandemic and Brexit in the past year.

Here is a summary of the announcements that were made today. I hope these announcements will help support your business and if you need any support finding your way through them please do get in touch.

Email us at [wecanhelp@gledhillaccountancy.co.uk](mailto:wecanhelp@gledhillaccountancy.co.uk) and we will get back to you as soon as we can.

### **Extension of the Furlough Scheme**

It was confirmed that the furlough scheme will be extended until the end of September 2021. This will be a lifeline to many businesses who need time to reopen and recover. Employees will continue to receive 80% of their salary. However, the Government are expecting businesses to contribute. In July, businesses will need to contribute 10% in August & September 20%.

Business owners can now continue to use these schemes and bring workers back over time whilst their businesses recover. However, some businesses have already been finding it difficult to meet the ongoing costs of placing employees on furlough, with Employer's National Insurance, pension costs, and the accrual of holiday pay. So, this additional contribution expected by the Government could make it too expensive for some businesses as they reopen.

Directors of Limited Companies paying themselves with dividends, continuing to NOT be counted through the furlough scheme.

## **Self-Employment Income Support Scheme (SEISS) – 4th and 5th Grant**

Today it was announced that SEISS would continue until September with a fourth and fifth round of the grant for the self-employed.

Details are:

4th Grant - Will cover the period February 2021 to April 2021 and provide 80% of trading profits.

5th Grant –Will cover the period from May onwards. However, the amount of the grant will change depending on the loss of turnover. People whose turnover has fallen by 30% or more will get the full 80% grant. However, people whose turnover has fallen by less than 30% will get a 30% grant.

### **Newly Self Employed**

The grant scheme will now also be extended to those that did not qualify last year because they were newly self-employed. If you have filed a tax return by midnight last night (2nd March 2021) you will now be eligible to claim the 4th and 5th grants.

The extension of the scheme is good news and we are very pleased that there is now some support for those that had to manage in the past year with little or no COVID support.

### **Loans**

Bounce Back and CBILs loans are due to come to an end on 31st March 2021 and today it was announced that a new Recovery Loan Scheme would be put in place for businesses of any size.

Loans will be available from £25,000 to £10m and will be accessible through to the end of this year. The Government are providing a guarantee to lenders of 80%.

Many business leaders were calling for debts accrued through the previous Government-backed loans to be written off for small and medium-sized firms. So, it was disappointing today to see that the Chancellor seems to have ignored this lobbying, with no changes on the paying back of previously taken Government backed loans announced.

### **Business Rates Relief**

Business rates relief will continue with the 100% business rates holiday until the end of June 2021 for businesses in retail, hospitality, and leisure.

For the remaining 9 months of the tax year, business rates will continue to be discounted by two thirds. There will be some caps for businesses that have been able to stay open.

This is good news for businesses in some of the hardest hit sectors.

### **VAT**

Another boost for the hospitality and tourism sector was the extension of the 5% reduced rate of VAT. This will be extended until 30th September 2021. After that, an interim rate will be introduced of 12.5% for another 6 months. This means that a return to the standard rate of VAT will not return until April next year.

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

## **Grants**

Current grant schemes are due to end in March, but today it was announced that there will be a new Restart Grant launched in April.

Non-essential Retail will receive grants of up to £6,000 per premises.

Hospitality & Leisure businesses (including personal care & gyms) will be eligible for grants of up to £18,000.

An additional £425m has been put aside for discretionary business grant funding for local authorities to distribute. The scheme will begin in April 2021. It will be worth exploring if you could be eligible for these grants and additional local authority money if you are in one of these hardest hit sectors.

Further help was also announced for UK's art, culture and supporting institutions as well as creative industries & the film & TV sector.

## **Corporation Tax**

As expected, the Chancellor announced a sharp increase in Corporation Tax rising from 19% to 25%. However, he sought to soften the blow by announcing the increase will not take effect until April 2023. This rate remains the most competitive in the G7, but despite this it will not be a welcome announcement for profitable UK businesses. However, this rate rise will not affect struggling businesses as it is a tax on profits.

As rumoured, the Chancellor has announced that small businesses with profits of £50,000 or less will be subject to a 'small profits rate' which will be at the current rate of 19%.

There will be a taper for companies earning above £50,000, with only companies earning £250,000 or above paying the full 25% rate.

## **Unlocking cash& investment**

A new 'super deduction' tax relief was announced to encourage investment into the UK and boost its recovery from the pandemic.

The relief will come into effect next month (April 2021) and last until the end of March 2023 and will be especially popular with manufacturing and construction firms.

This will mean companies investing in qualifying new plant and machinery assets will benefit from a 130 per cent first-year capital allowance and 50% first-year allowance on qualifying special rate assets. This upfront super-deduction will allow companies to cut their tax bill by up to 25p for every £1 they invest.

This is great news for businesses who have been considering investment in plant & machinery, however details need to be seen about what assets will qualify.

The existing annual investment allowance will remain unchanged to £1m until the end of 2021.

## **Off-payroll legislation or IR35**

It doesn't come as a surprise that there was no announcement of extending the off-payroll reforms as Parliament had already commented the reforms will go ahead as planned since the legislation was passed enacting the reform from April 2021.

A technical change to the definition of intermediary will be made to ensure Umbrella companies or employment intermediaries deducting employment taxes are not caught under the legislation.

## **Tax treatment on losses**

Businesses will be temporarily allowed to carry back trading losses from one year to three years. The amount that can be carried back will be of up to £2m for the next two years – 2020/21 and 2021/22.

This will give more flexibility for companies to utilise their losses and the ability to claim additional tax refunds.

## **Employment & Training**

The National Living Wage will increase from April 2021 to £8.91. This will place some additional financial burden on businesses as they are recovering.

To add to the many previous initiatives introduced to get businesses to take on new employees, today it was announced a doubling of the incentive payment to take on new apprentices to £3,000 per apprentice. This will apply to all new apprentices of any age.

The Government also committed more money to triple the number of traineeships.

Kickstart scheme will continue to provide 6 months full salary for placements with up to £1500 upfront costs to cover employability training and employment costs.

## **Housing Sector**

The Stamp Duty holiday will be extended with the £500,000 nil rate band extended until the 30th of June 2021. After that, the nil rate band will be £250,000 until the end of September, before returning to the usual level of £125,000 in October.

The Treasury also unveiled a mortgage scheme to help first-time buyers with low deposits to buy a home. Buyers will pay just 5% deposits to buy homes worth up to £600,000 and the Government will offer lenders the guarantee to provide mortgages covering the remaining 95%. Several banks will be offering these mortgages from next month.

This and the extension to the stamp duty holiday announced in July last year and will no doubt boost the housing market and the construction industry as demands for new homes rise. However, the fallout may well be rising house prices and a possible shrinking of the rental market, which will not be welcomed by landlords.

## **Income Tax**

There will be no rise in income tax rates. However, there will be a freeze on personal tax thresholds for the coming year.

The income tax thresholds will rise again next year to £12,570 for the lower rate threshold and £50,270 for the higher rate and these will be held at that level until April 2026.

## **National Insurance**

The Chancellor confirmed that there will be no rise in National Insurance.

## **IHT & Pension Lifetime Allowance**

It was announced that current IHT threshold of £325,00 will remain until April 2026, which is not good news for people who may inherit during this period.

The pension lifetime allowance will remain at £1,073,100 until April 2026 which may affect older business owners wanting to heavily invest in their pension for retirement.

## **Capital Gains Tax**

There was a surprise announcement that the Annual Exempt amount in Capital Gains Tax would remain at the current level until April 2026 and there were no rises in the CGT rates as many had predicted after a report submitted by Office of Tax Simplification (OTS) in November 2020.

This will be a welcome surprise for people selling on business assets, second homes and non-ISA shares.

## **Fuel Duty**

The planned rise in fuel duty has been cancelled. This will be good news for fuel heavy businesses such as hauliers.

## **Help to Grow Schemes**

Small businesses will be given help to boost software and training under a Help to Grow scheme.

Help to Grow Management – to cover funding of management and executive training with the Government funding 90% of the cost.

Help to Grow Digital – free digital training and 50% discount in productivity software.

**<https://helptogrow.campaign.gov.uk/>**

## **COVID Fraud & Tax Avoidance**

We have heard many story's referring to people and business who have abused the COVID support schemes and HMRC has made no secret of its awareness of this and determination to claw back. It was announced today that more money and 1000 investigators would be set up as part of a new HMRC task force to tackle COVID fraud. There will also be additional measures and money to clamp down on tax avoidance and evasion.

### **Final thoughts...**

Announcements in today's budget have offered many opportunities to access help and support for your business, so that you can get back up and running after the pandemic. The details of these schemes often come out after the announcements so we will be keeping a keen eye of all notifications we receive. As HMRC agents we get updates as soon as they are issued. We will be following this up with webinars to help keep our clients informed.

The most welcome announcement today must be the inclusion of newly self-employed in the SEISS grant, it is just such a shame so many of you have had to struggle with no support for so long.

The team here at Gledhill Accountancy are here to support and advise you every step of the way. So, if you have any questions or concerns, get in touch.

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