

UK BUDGET 2021- 3 March 2021

This was a budget very much focused on extending the existing COVID reliefs, aligned with the timing of the easing of lockdown, and starting to repair the government finances.

The economic forecast is that unemployment will now peak at 6.5% (instead of 11.9%) and that the economy will have returned to pre-COVID status by mid-2022.

All businesses we work with have the immediate focus of reopening, improving top line sales and changing cost bases to be as lean and nimble as possible, but without compromising recovery.

As noted by the Opposition, the debt burden that many businesses and individuals will be facing post COVID is significant but unlikely to be solvable immediately – the key issues to address are funding reopening costs, debt servicing requirements, and negotiating any arrears with creditors.

HEADLINE	COMMENTS
<p>Job Retention Scheme (JRS) – to be extended to Sept 2021, 80% of normal wage (capped at £2,500) funded by the UK Government until the end of June 2021. From July 2021 onwards, the grant will cover 70% of usual wages (capped at £2,187.50) and then 60% for August and September up to a cap of £1,875.</p> <p>Employers will need to pay their furloughed employees at least 80% of their usual wages for the hours they not worked up to the £2,500 cap. Employers will need to continue to pay employer NIC and pension contributions, including on the subsidised pay.</p>	<p>The JRS has been generous compared to job support schemes in other countries. This is timed to coincide with lockdown restrictions easing and hopefully will mean that some of these jobs can be retained into the recovery process.</p> <p>Any seasonal business with a summer peak may find this timing challenging and needs to consider how and if it can reduce the impact of summer seasonality over 2021 and the start of 2022.</p>
<p>Self Employed Income Support Scheme (SEISS) – two further grants will be given covering Feb-April 2021; and May-Sept 2021. Taxpayers must have submitted their 19/20 tax returns by 2 March 2021 to be eligible for the 4th and 5th grants.</p> <p>The 4th grant (covering Feb-April) will be available to claim from late April. It will be based on average trading profits for up to four years between 2016 to 2020, where available. It will also depend on if the taxpayer experienced a significant financial impact from coronavirus between Feb 2021 and April 2021. It will be calculated based on 80% of three month's average trading profits, paid out in a single payment and capped at £7,500 in total.</p> <p>The 5th grant (covering May-Sept) will be claimable from late July and will be based on how much turnover has been reduced. The grant will be worth 80% of three month's average trading profits, capped at £7,500 for a reduction in turnover of 30% or more. A lower reduction in turnover of <30% will be 30% of three months average trading profits.</p> <p>Newly self-employed can use their 19/20 tax return numbers to claim for these grants if filed before 2 March 2021.</p>	<p>This will be welcome news to many self-employed people.</p>
<p>Restart Grants – for non-essential retail up to £6,000 per premises; and up to £18,000 per premises for hospitality and other sectors that are opening later, and an additional £425m of discretionary business grant funding for local authorities to distribute.</p>	<p>Reopening requires funding of new stock, consumables and may result in rent reductions coming to an end. This will be a difficult time to navigate.</p>
<p>Business Rates Relief – 100% relief for retail, hospitality, and leisure properties in England from 1 April 2021 to 30 June 2021. This will be followed by 66% business rates relief from 1 July 2021 to 31 March 22, capped at £2m per business for properties required to be closed on 5 Jan 2021 or £105k per business for other eligible properties.</p>	<p>How can businesses that have been closed for much of the past 12 months afford business rates?</p>
<p>Recovery Loan Scheme – from 6 April 2021, the Recovery Loan Scheme will provide lenders with a guarantee of 80% on eligible loans between £25k and £10m. The scheme will be open to all businesses, including those who have already received support under existing COVID-19 loan schemes.</p>	<p>If the government guarantees 80%, what will banks require for further security for these loans and will this be feasible? No announcements that existing schemes such as bounce back loans or CBILS will be extended further.</p>

HEADLINE	COMMENTS
Hospitality & Tourism – 5% reduced VAT rate to be extended to 30 Sept 2021, then 12.5% for a further 6 months, returning to standard rate from April 2022.	✓
Temporary Stamp Duty Land Tax cut - £500k nil rate band extended for a further 3 months to 30 June 2021, then £250k nil rate band to 30 Sept, return to usual £125k nil rate band from 1 October.	✓
Mortgage Deposit Scheme – From April 2021, new scheme for 5% deposit mortgages, with government backing, for homes with a value of up to £600k.	A return to 95% mortgages...
Sports and Culture - £300m to extend the Culture Recovery Fund; £90m for continued support for government sponsored National Museums and cultural bodies; £300m for continued support to major spectator sports in England supporting clubs and governing bodies.	Much needed extended support for these sectors that are closed by government restrictions.
Personal Tax Rates – Personal allowance will increase to £12,570 for 21/22 and basic rate limit will increase to £50,270. However, both will then be frozen until April 2026.	We all acknowledge that some tax increases are inevitable. This is going to affect low earners and low-mid earning families the most.
Freezing Other Tax Limits – Capital gain tax annual exempt amount, IHT nil rate band, IHT residence nil rate band, pension lifetime allowance frozen until April 2026. VAT registration and deregistration thresholds will not charge for a further two years from 1 April 2022.	Impact will depend on inflation rates during this period.
Apprentices – Employers who hire a new apprentice between 1 April 2021 and 30 Sept 2021 will receive £3,000 per new hire, compared with the existing £1,500 or £2,000 for those aged 24 and under.	If an apprentice could suit your business needs, there is a lot of government support for this.
Corporation Tax Rate – increase to 25% from April 2023. 19% small profits rates for up to £50k of profits, then tapering of the rate up to £250k profits.	There are new tax consultations expected to be released at the end of March – we hope that they continue the government's review of making the UK more attractive post Brexit, so the increased headline corporation tax rate is offset by other benefits of being based in the UK.
Corporation Tax Losses – for trading losses made between 1 April 2020 and 31 March 2022, loss carry back rules extended from just the previous year to 3 years prior, enabling £2m of unused trading losses to be carried back further and used to obtain tax refunds.	Useful for previously profitable and tax-paying businesses (potential max value per group of 19% of £2m = £380k).
Corporation Tax Relief for Business Investment in Plant and Machinery on or after 1 April 2021 – new super deduction for 2 years until 31 March 2023 of 130% of the cost of new plant and equipment. Plant and Equipment that normally qualified for 18% writing down allowances will be eligible for 130% relief. Plant and machinery that normally qualified for 6% special rate writing down allowances will be eligible for 50% relief.	This is useful for profitable businesses that needs to make new equipment or equipment fitout programmes but need to consider the tax profile of a company overall given the impact of COVID on trading results also.
Duties – alcohol and fuel duties frozen.	
Green Investment – new £15bn green investment bank to fund infrastructure projects; and new green retail savings product for individuals to invest in to be linked closely to the UK's sovereign green bond.	We agree with the Opposition that green tax incentives should go further.
Help to Grow for SMEs – new management training with government funding 90% of costs; new digital training and software incentives, can register interest at www.gov.uk/helptogrow	30,000 places available, can register interest from today.
Tech & Science – 2 new consultations into R&D tax credits and EMI enterprise management incentive schemes. New VISA schemes.	
Reviews into: unlocking Pension Fund investment capital into a broader range of assets; and listing rules in the UK to make the UK more competitive for high-growth, innovative businesses to publicly list.	
Opposition's key points - nothing for key workers, fixing NHS or care homes. Businesses are swamped by debt due to COVID-19. 4m children are now living in poverty. £20 uplift in universal credit only to be extended for only 6 months. No credible plan to tackle unemployment. Kick start scheme only helped 2,000 people in 6 months, with youth unemployment set to hit 1m people. Council tax rises still going ahead. Not enough tax incentives to support a Green recovery. Oppose 95% mortgage schemes while reducing available council housing.	