

## BUDGET 2021 – HOW DOES IT AFFECT ME ?

### BACKGROUND

- Following the delivery of the 2021 Budget by the Chancellor (Rishi Sunak) last week, there are a number of changes that will impact taxpayers (businesses and individuals) over the coming months – **but mainly from the start of the new tax year (2021/22) !**
- With many of the **more negative** changes already announced ahead of Budget day itself, much of the ‘**bad news**’ for taxpayers was already well known ahead of the Chancellor’s speech !
- With more detail around the various changes and announcements due in the coming weeks, we now provide a ‘**high level**’ summary of the Budget day and pre Budget announcements, and their impact for taxpayers from April 2022 onwards.

### WHAT HAS CHANGED ?

#### Businesses –

1. there is the already announced **Corporation tax** rate increase that will apply from 2023/24, when it will increase from **19% to 25%**
  - this will apply to profits above £250,000
  - there will be a **small business rate** of 19% for profits below £50,000 and
  - a ‘**marginal**’ rate applied to those between £50,000 and £250,000

2. for banks, the **Bank Levy**, which is an additional 8% tax on bank profits will be reduced by 3% i.e. **from 8% down to 5%**. The reduction in this levy will be deferred until April 2023 in order to match with the increase in the rate of corporation tax from 19% to 25%.

3. from 6<sup>th</sup> April 2022, the rates of **National insurance** for Classes 1, 1A and 1B will **increase by 1.25%** meaning that Employers NI will increase – **which will make employment more expensive for businesses.**

additionally, the National insurance rates will drop back to 2021/22 levels from 6<sup>th</sup> April 2023 - **but will be replaced by the Health and Social Care Levy !**

4. following the conclusion of the Government’s **business rates** review, rates will not increase in line with inflation during 2022/23 (which only applies in England) i.e. rates will remain at 49.9p and 51.2p.

there is also an additional **50% business rates relief available for retail, hospitality and leisure properties for 2022-23** i.e. there however is a ‘cap’ of £110,000 per business, and 100% business rate exemptions for businesses with certain renewable energy networks.

5. the **minimum wage** (for over 23’s) will increase to £9.50 per hour from **1<sup>st</sup> April 2022.**



## Individuals –

1. in respect of **Capital gains Tax (CGT)**, for disposals of UK residential property completed after 6th April 2020, UK tax residents have had to within 30 days of completion of the transaction
  - report the gain on a return to HMRC, and
  - pay the CGT due

however the 2021 Budget has changed that, so that disposals that complete **on or after 27th October 2021**, now only need to report and pay to HMRC within 60 days after the completion date.

2. as for businesses and Employers, **from 6th April 2022**, the rates of **National insurance** for Classes 1, 1A and 1B will **increase by 1.25%** i.e. meaning most employees will suffer higher levels of NI deductions from their salary !

and again, the National insurance rates will drop back to 2021/22 levels from 6th April 2023 - **but will be replaced by the Health and Social Care Levy.**

3. Self employed individuals, will also **NOT** escape the changes in National insurance from 6th April 2022, with Class 4 rates also increasing by the same 1.25% for 2022/23 - and again pending the introduction of the **Health and Social Care Levy.**
4. Already announced are the **'freezes' in Personal Allowance (tax free allowance) and the basic rate thresholds** i.e. the threshold above which higher tax rates are applied to earnings. These will not change annually in line with CPI data each year through to 2026.

## WHAT HAS STAYED THE SAME ?

- With so many things changing as a result of the 2021 Budget, it is worth just highlighting some of those reliefs and allowances that have remain unchanged (and which are valuable to taxpayers) i.e.
  1. The **Dividend allowance** continues to be fixed at £2,000 for all taxpayers i.e. **'tax free'** allowance for dividends
  2. The **Employment Allowance**, which can be set against an **Employer's National insurance** costs remains ('frozen') at £4,000 for 2022/23
  3. The annual **VAT registration threshold** will remain at £85,000 and the deregistration threshold at £83,000.
  4. For the Hospitality sector, there has been **NO extension of the temporary (COVID related) 12.5% rate of VAT** beyond 31st March 2022.

## OTHER INTERESTING BUDGET ISSUES

- From an international perspective, there were a few (fairly minor) announcements that indicated the Government's intention of keeping the UK at the centre of the global business stage e.g. changes made to the UK's tonnage tax regime - **with a view to attracting more global shipping companies to locate their headquarters in the UK.**

- The ‘**Creative sector reliefs**’ i.e. these reliefs are part of a group of reliefs that in broad terms provide eligible production companies with qualifying production expenditure with enhanced (tax) relief:
  - either as an additional tax deduction or
  - as a payable credit

The rate of that relief is to be increased temporarily (see below) to aid in the recovery of the sector following the COVID pandemic.

Relief	Current relief	27/10/21 - 31/3/23	2023 - 2024	Thereafter
TTR non-touring	20%	45%	30%	20%
TTR touring	25%	50%	35%	25%
OTR	25%	50%	35%	25%
MGETR non-touring	20%	45%	30%	20%
MGETR touring	25%	50%	35%	25%

- The increased rates will apply where production activities commence **on or after 27 October 2021** i.e. existing productions will **NOT** benefit from these increases.
- For another relief i.e. **FTR relief**, there are also changes to make it more flexible in terms of whether a production is intended for theatrical release or television broadcast.
- See our previous Blogs, with much more information on the **National Insurance changes from 2022** onwards, and on much of the detail on the existing Capital Gains Tax on disposing UK property, so feel free to go to the ‘**News**’ section on our website for more information.
- <https://www.sakurabusiness.co.uk/social-care-the-national-insurance-tax-rises-what-happens-next/>
- <https://www.sakurabusiness.co.uk/disposed-of-property-recently-pay-your-cgt-on-time/>

Contact us at Sakura if you want to find out more about the changes that impact you following the Budget announcements ! Call on 0207 952 1230 or email [damian@sakurabusiness.co.uk](mailto:damian@sakurabusiness.co.uk)