

The Autumn Budget & Spending Review 2021



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Luke Prout, Corporate Tax Partner



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Research and Development Tax Relief

- Government to increase funding/grants available to businesses undertaking R&D through various partnerships and initiatives
- Grants available such as Innovate UK/Horizon Europe
- Changes to qualifying expenditure categories to include data and cloud costs incurred in undertaking R&D from April 2023
- Changes proposed to ensure R&D relief is given for UK R&D and not overseas (Think Patent Box)

Research and Development Tax Relief

Entity	SME - Scheme	Large (RDEC Scheme)
Loss making SME	Up to 33%	11%
Profit Making SME	Up to 25%	11%
Large (Non-SME)	n/a	11%

SME:

- Fewer than 500 staff and either not more than €100 million turnover or €86 million gross assets

Large company:

- 500 staff or more and either more than €100 million turnover or €86 million gross assets.

Research and Development Tax Relief

- Resolve scientific or technological uncertainties
- New or changes to products, services or internal processes
- Staff, including salaries, employer's NIC, pension contributions and reimbursed expenses
- Subcontractors
- Materials and consumables including heat, light and power
- Some types of software
- Data and Cloud costs from 01/04/2023

Capital allowances

- Annual Investment Allowance – ~~31/12/2020~~ – Now extended to 31/03/2023
- Super Deduction from April 2021 – 31 March 2023
 - Only available to companies
 - Applies to plant and machinery
 - New assets only (not second hand), not cars, connected persons, gifts, year of cessation
- 130% relief on expenditure

Capital allowances

- Special rate Items – 50%
- Hot/cold water systems, heating systems, lifts, electrical systems
- Currently 6% WDA
- Now 50% FYA
- AIA on the balance £1M so, this is potentially worth £2M to April 2023

Increase in Corporation Tax

From 01 April 2023

- Increase to 25% (Profits over £250,000)
- Remain at 19% (Profits below £50,000)
- Tapered 19-25% (Profits £50,001 - £250,000)
- Marginal relief - Fraction $\frac{3}{200}$
- Marginal Rate 26.5%

Business Rates

- 2022-23 – 50% business rates relief for retail, hospitality and leisure properties (up to 400,000 businesses will benefit)
- Freeze to the rate multiplier for 2022-23 for all business rates
- From 2023, relief for improvements for 12 months (green technologies)
- Valuations every three years.

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Kelly Goodchild, Tax Manager



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Not much to talk about.....Or is there?

- Rates & Allowances
- Health & Social Care Levy
- Basis Period Reform
- SEISS & Government Grants
- Capital Gains Tax & Inheritance Tax

Rates & Allowances

NO CHANGES

- Personal Allowance £12,570 until 2025/26
- Basic rate band to £50,270 @ 20%
- Higher rate band to £150,000 @ 40%
- Additional rate band over £150,000 @ 45%
- IHT threshold £325,000 plus NRPB £175,000 until 2025/26
- CGT Annual Exemption £12,300 until 2025/26
- Pensions Lifetime Allowance £1,073,100 until 2025/26

Rates & Allowances

- National Minimum Wage increases from April 2022
- Apprentices from £4.30 to £4.81
- 16 to 17 Year olds £4.62 to £4.81
- 18 to 20 year olds £6.56 to £6.83
- 21 to 22 Year olds £8.36 to £9.18
- National Living Wage for over 23 year olds £8.91 to £9.50

Health & Social Care Levy

- April 2022 an additional 1.25% levy through Class 1 & 4 NIC
- This also applies to Employer contributions
- April 2023 will also include State Pension aged workers and will be separated out from NIC
- From April 2022 will be added to the NHS allocation and from April 2023 will go to all Health & Social care across the UK

Dividend Tax Increase

- April 2022 increased by 1.25 on dividend tax rates
- Basic rate 7.5% to 8.25%
- Higher rate 32.5% to 33.75%
- Additional rate 38.1% to 39.35%
- Average increase for a small salary plus dividends of £300
- Time to review your remuneration package?

Basis Period Reform

- From 2023/24 sole traders, partnerships & trusts with trading income will start to be taxed in alignment with the tax year in which profits arise
- Irrelevant of accounts year end income taxed between 6 April to 5 April each tax year
- Stopping overlap profits being created when a business commences
- Worth looking at changing your accounts year end before then to make process simpler
- Will fall in with MTD reporting requirements from April 2024

SEISS & Government Grants

- All Self Employment Income Support Scheme payments (SEISS) and Local Government Business Grants are taxable and need to be included on your self assessment tax return.
- Sole traders and partners that kept their payments personally - personal returns
Partnerships that kept payments within the partnership – partnership returns
- On 2020/21 Tax Returns additional declaration to confirm that you have included all payments and to repay them if you were not eligible to claim

SEISS & Government Grants

Other Grants that are taxable:

- Coronavirus Job Retention Scheme (CJRS)
- £500 test and trace isolation payments
- Restart grants
- Payments received under the Eat Out to Help out

Business Loans

- The Recovery Loan Scheme is being extended until 30 June 2022
- Maximum of £2million per business

Capital Gains Tax & Inheritance Tax

Anticipated changes in this area did not happen...

- Inheritance Tax Threshold - £325,000 Rate of Tax - 40%
- Capital Gains Tax Allowance - £12,300 Rate of Tax 10%/20% or 18%/28% for Residential Property – ALL FIXED UNTIL 2025/26
- Extension to the 30 CGT return to 60 days

****Use this time to plan both IHT & CGT are under review****

Stamp Duty Land Tax

- Stimulated House Market – In June 2021 increase in house prices of 13.8% - biggest since 2004
- So what now????
- First-time buyers no stamp duty up to £300,000 and 5% up to £500,000
- High Street lenders offering 95% mortgages under a Government guarantee scheme

Sparkling Wine anyone?

- Good news for Prosecco drinkers.....87p off a bottle!
- New scheme will benefit UK real ale Brewers such as Adnams – 25p less in pubs
- Not so great for red wine drinkers seeing an increase of around 47p a bottle

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Sam Tindale – Managing Director
Tower House Wealth Management



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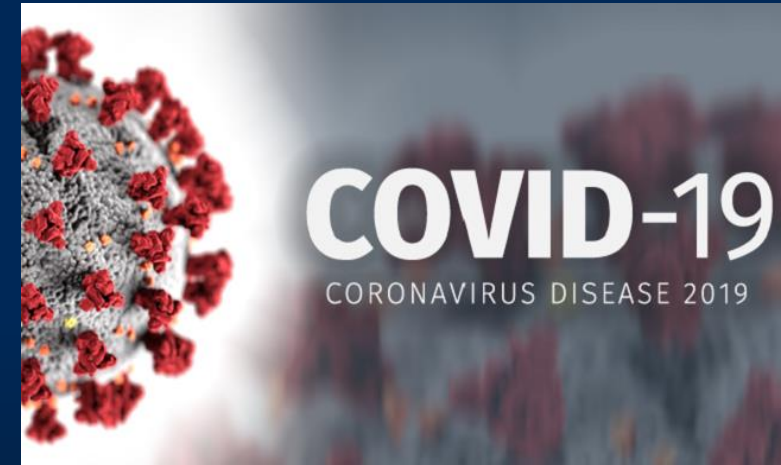
Financial Services

Brief Agenda

- Investment Markets 2021
- Budget outcome – What's changed?
- Budget outcome – What's not changed?
- Future risks
- Opportunities



Investment Markets 2021



Investment Markets



What's Changed

Not a lot!



What's Not Changed

- Annual Allowance – up to £40,000
- Corporation tax treatment of pensions
- Personal pension tax relief
- CGT rates
- IHT rates
- ISA Allowance £20,000 / JISA - £9,000



Future risks ...

The need to plan ...

- CGT increases – Property?
- Single rate tax relief / Pension overly generous
- Changes to IHT



Pensions & IHT ...

Two scenarios , two very different tax bills

Husband and Wife - £3 million estate

Couple One

Main Res - £1m

Buy to let portfolio + cash - £2m

Couple Two

Main Res - £1m

2x Pensions - £2m



Opportunities

- Tax deductible planning – Relevant life , Executive Income Protection & Pensions
- ISA for a family of 4 up to £58,000 – higher than ever!
- Taxable to tax free investments – UT → ISA or ISA → Pension
- Premiums bonds and NS&I – 100% FSCS protection



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