# David Allen

Tax

# Autumn Budget 2021

david-allen.co.uk


# Overview

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Rishi Sunak delivered the Autumn Budget on Wednesday 27 October with pledges of increased support for many. A complete overhaul of alcohol duties, support for working families, business rate reliefs and support for hospitals and the hospitality sector were on the agenda. These, along with the increase to the minimum wage, will be welcome news to most. However, whilst the numbers and forecasts are all positive and impressive, there remains little said about how this support is to be funded. In fact Mr Sunak's closing statement pledging to cut taxes by the end of this parliament goes against what many might have been expecting him to say.

With the growth of the economy predicted to recover quicker than anticipated, and unemployment to peak at half the rate previously expected, things appear very positive. However, there were warnings of the coming months being challenging and inflation rates expected to rise.

The tone of the speech was certainly that economic recovery is underway and emergency support is winding down. A new Charter ensures that in 'normal times' the Government should only borrow to invest in future growth and prosperity. We have of course not been living in 'normal times', however listening to the Chancellor today one would be forgiven for thinking the pandemic is over and the purse is full for spending.

The spending announcements were plentiful and included the following:

- New grants for local Government worth £4.8bn
- £11.5bn to build new affordable homes
- £4.7bn for schools by 2025
- A 'levelling up' fund to invest in infrastructure
- Transport funding, with £2.6bn for local road upgrades and £5bn for local road maintenance

According to Rishi, 'this is the largest increase in Government spending this century', yet it was difficult to see where the money is coming from.

The planned fuel duty rise has been cancelled, although one might argue they had little choice with pump prices at a record high.

The reform of alcohol duty will apply the highest rates of duty according to the highest alcohol content, the intention being to dissuade the consumption of low cost, high strength alcohol.

For businesses, the current Annual Investment Allowance of £1m, which was due to end in December, has been extended to March 2023, which will be welcomed by many and aims to encourage investment.

Support for businesses in the hospitality and retail industries is welcome in the form of a 50% rates discount and there is also a new business rates improvement relief.


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Only one announcement was made regarding Capital Gains Tax, which will be a relief to many who forecast radical changes and tax revenues being raised here. The '30-day reporting' requirement for Capital Gains on residential property has been extended to 60 days which is a welcome practical change.

No changes also in the Inheritance Tax regime and no news of the much covered Wealth Tax, both of which will be a great relief.

Those on Universal Credit who are affected by the tapering of their allowance when their earned income increases will welcome the lowering of the taper rate from 63% to 55%. This is part of the 'making work pay' initiative and was awarded a chunk of the speech, although it will only affect a handful of those on Universal Credit, whereas the £20 temporary increase that has since been removed would have affected all claimants.

To summarise, the announcements seem to be weighted towards giving rather than taking!

Our experts have been busy dissecting all the information from the Chancellor's statement and have created useful, jargon free summaries so you can understand how the Budget affects you and your business.


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# Business and Corporation Tax

To assist businesses in England struggling to get back on their feet after Covid, and to promote business investment, the Chancellor announced the following:

**Business Rates Relief**

- Business rates relief of 50% for eligible businesses in the retail, hospitality and leisure sector for 2022 to 2023. Eligible properties will receive 50% relief, with a cap of £110,000 per business
- Freezing of the business rates multiplier for a second year from 1 April 2022 to 31 March 2023
- Extension of the transitional relief for small and medium sized businesses and the supporting small business scheme for one year
- Commitment to modernise the business rates system with more frequent revaluations from every five years to every three years from 2023
- Introduction of a 100% Improvement Relief, giving a 12 month rate holiday for business that undertake qualifying property improvements which increase the rateable value of the property. This will take effect in 2023. Implementation is under consultation
- Introduction of targeted business rate exemptions for businesses investing in eligible plant and machinery from 1 April 2023 to 31 March 2035 to support the de-carbonisation of non-domestic buildings

**Corporation Tax**

- Temporary extension to the £1,000,000 Annual Investment Allowance to 31 March 2023. This was set to reduce to £200,000 from 1 January 2022
- From 1 April 2021 to 31 March 2023 companies investing in qualifying new plant and machinery continue to be able to claim 130% capital allowances as a 'Super Deduction'
- Losses of up to £2,000,000 can continue to be carried back for three years to obtain a tax repayment. This is a temporary measure and is effective for accounting periods ending between 1 April 2020 to 31 March 2022
- Research and Development tax reliefs will be reformed from April 2023 to support modern research methods by expanding the types of expenditure which can be included in the claims. Further details of the changes are still to be released




# Business and Corporation Tax (continued)

**Sole trade and partnership businesses**

- Temporary extension to the £1,000,000 Annual Investment Allowance to 31 March 2023. This was set to reduce to £200,000 from 1 January 2022
- The continuation of the temporary carry back for any loss which arises in the tax years ended 5 April 2021 and 5 April 2022. This can be carried back for three years instead of just one


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# Capital Gains Tax

Following a simplification review, Capital Gains Tax (CGT) was an area that we were expecting to hear some major announcements in, but the Chancellor decided to leave most things as they are.

- The CGT annual exempt amount therefore remains frozen at £12,300 through to April 2026
- The CGT rates remain at 10%/20% for non-residential property disposals and 18%/28% for residential sales

**Change to the payment and reporting window for the disposal of UK residential property**

The only announcement made in relation to CGT was to increase from 30 days to 60 days the window for reporting and paying CGT on the sale of UK residential property.

This change takes immediate effect from 27 October 2021.

Planning should be undertaken before disposing of any assets to ensure that the annual exemption and any other available reliefs are taken advantage of. Please contact a member of our Tax team on 01228 711888 if you have any queries or are thinking of making a disposal


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# Inheritance Tax

In the weeks leading up to the Budget there was much speculation around reforms to Inheritance Tax (IHT), in particular an increase in the current IHT rate of 40% and the withdrawal of some valuable reliefs.

However, the Chancellor did not make any changes to current legislation.

- IHT continues to be charged at the rate of 40%
- The IHT nil-rate band remains frozen at £325,000 through to April 2026
- The residence nil-rate band remains frozen at £175,000 through to April 2026

Inheritance Tax is a complex subject, however with careful planning your exposure can be minimised. If you would like to review your IHT position, please do not hesitate to contact one of our Tax Specialists on 01228 711888




# National Insurance (NIC)

No announcements in the 2021 Autumn Budget on the National Insurance front, but the following will kick in from April 2022 onwards:

- The Government has legislated for a new 1.25% Health and Social Care Levy to help fund the NHS and Social Care
- This levy will initially apply to those who pay Class 1 (Employees and Employers) and Class 4 (Self Employed) National Insurance Contributions
- The levy will be added to the main and additional rates of Class 1 and Class 4 National Insurance from 1 April 2022
- From April 2023, once the systems are updated, the levy will be separate from National Insurance Contributions and will also be applied to working individuals above State Pension age

**National Minimum Wage**

From 1 April 2022 the National Minimum Wage rates are:

- employees aged 23 and over: £9.50
- employees aged between 21-22: £9.18
- employees aged between 18-20: £6.83
- employees aged between 16-17: £4.81
- apprentices up to age 19 or in their first year of apprenticeship: £4.81 (unless rates specified in apprentice training contract)


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## Personal Income Tax

With the focus of the Budget being spending related, and a number of announcements being made in recent weeks, there was little news on the Personal Income Tax front.

The following will however apply from 6 April 2022:

- The tax free personal allowance remains as previously announced at £12,570. This will be frozen through to April 2026
- The higher rate tax threshold remains as previously announced at £37,700, meaning that higher rate tax will not be paid till income exceeds £50,270*
- The dividend 0% band remains at £2,000
- The personal tax rates remain as follows for general/savings and dividend income:

| | **Basic rate** | **Higher rate** | **Additional rate** |
|---|---|---|---|
| **General and savings income*** | 20% | 40% | 45% |
| **Dividend income** | 8.75% | 33.75% | 39.35% |

*The position for Scottish residents will differ. The Scottish rates will be confirmed in the Scottish spending review on 9 December 2021. We will provide information on this in due course.


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## Savings and Investments

The Chancellor decided to avoid making any significant changes to the savings and retirement planning landscape. There were also no changes affecting house buyers.

### Pensions

No changes were announced to the pension lifetime allowance, therefore the amount that can be saved tax efficiently into a pension, throughout a working lifetime, remains capped at £1,073,000. No changes were announced to the pensions annual allowance, tax free cash limits or the levels of tax relief applicable on personal contributions.

In 2025/26 the Government will however introduce a system to make top-up payments in respect of contributions made in 2024/25 onwards directly to low-earning individuals saving in a pension scheme using a Net Pay Arrangement. These top-ups will help to better align outcomes with equivalent savers saving into pension schemes using Relief at Source. An estimated 1.2 million individuals could benefit by an average of £53 a year.

### State Pensions

The Government is legislating to temporarily suspend the earnings element of the 'Triple Lock' used to uprate the State Pension. Instead, for 2022/23 the new and basic State Pension will increase by the higher of CPI or 2.5%, protecting pensioners from higher costs of living.

### Investments and Individual Savings Accounts

The annual ISA allowance remains at £20,000 per person, the same as it has been since April 2017.

The annual subscription limit for Junior ISAs and Child Trust Funds will remain at £9,000.

The band of savings income that is subject to 0% starting rate of tax will remain at its current level of £5,000.

### National Savings and Investments

A new issue of Green Savings Bonds was made available to customers via NS&I on 22 October and will be on sale for a minimum of three months. The NS&I Green Savings Bonds are a three year fixed-term savings product with an interest rate of 0.65% and customers can invest between £100 and £100,000. As with all NS&I products, the Green Savings Bonds come with a HM Treasury-backed 100% guarantee.

The bonds are a world-first innovative product closely linked to the UK Government Green Financing Framework and will provide UK savers with the opportunity to contribute towards the Government's environmental agenda and take part in the collective effort to tackle climate change.


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# Universal Credits

To help people back into work, and to allow working households to keep more of what they earn, the Chancellor made the following announcements in relation to the Universal Credit (UC) system. This may help those who have recently lost the £20 a week uplift that was temporarily in place during Covid:

- The UC taper rate will be reduced from 63% to 55% by 1 December 2021 at the latest. This means that claimants will be able to keep an extra 8p in UC for every £1 of income over the taper threshold
- The work allowance will increase by £500 a year by 1 December 2021, increasing the amount that households with children, or a household with limited capability for work, can earn before their UC award begins to reduce
- Maintaining the higher surplus earnings threshold of £2,500 for UC claimants for a further year to April 2023. The threshold will reduce to £300 after this

If you have any queries regarding your Universal Credit claims please contact one of our Tax Specialists on 01228 711888


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# VAT and Duties

**VAT**

No further announcements were made by the Government in the 2021 Autumn Budget in relation to VAT.

As previously announced, the VAT registration and deregistration thresholds will not change for two years from 1 April 2022, giving businesses certainty. The taxable turnover threshold, which determines whether a person must be registered for VAT, will remain at £85,000. The taxable turnover threshold for deregistration will remain at £83,000.

The temporary reduced rate of 12.5% VAT for goods and services supplied by the tourism and hospitality sector will end on 31 March 2022 with the VAT rate returning to 20%.

**Alcohol Duties**

To further support the hospitality industry, and to assist people with the cost of living, alcohol duty rates on beer, cider, wine and spirits will be frozen for another year.

The Government also announced that the alcohol duty regime will undergo a major simplification, making the regime fairer so that all beverages will be taxed in direct proportion to their alcohol content. They intend to introduce reduced rates for products below 3.5% ABV.

The Government also intends to introduce a common small producer relief which will reduce the tax burden on smaller producers of wine, cider and spirits below 8.5% ABV.

Alongside this, a new relief that recognises the importance of pubs and supports responsible drinking will be introduced, with duty rates on draft beer and cider being cut by 5%. The Government is publishing a consultation on the detail of these reforms, which will close on 30 January 2022.

**Vehicle/Fuel Duties**

To support the haulage sector, the Government will continue to freeze Vehicle Excise Duty (VED) for heavy goods vehicles (HGVs) in 2022 – 2023 and they are suspending HGV Road User Levy for another 12 months to August 2022.

VED rates for cars, vans and motorcycles will increase in line with RPI from April 2022, but the Government will freeze fuel duty UK-wide in 2022/23. This is the twelfth consecutive year of the freeze, cumulatively saving the average UK car driver £1,900.

**Tobacco Duties**

Tobacco duties will increase by RPI + 2%. The rate on hand-rolling tobacco will increase by RPI + 6% and the minimum excise tax will increase by RPI + 3% this year. These changes will take effect from 6pm on 27 October 2021.

For more details on what was announced in the 2021 Autumn Budget in relation to VAT and other duties, please contact Julie Osborn on 01228 711888

# David Allen

## Our Summary 2022/23


### Dalston

Dalmar House
Barras Lane Estate
Dalston, Carlisle
CA5 7NY

Tel: 01228 711888

### Dumfries

51 Newall Terrace
Dumfries
DG1 1LN

Tel: 01387 270340

### Penrith

3 Hobson Court
Penrith 40 Business Park
Penrith
CA11 9GQ

Tel: 01768 877000

### Workington

Prosper House
Regents Court
Guard Street
Workington
CA14 4EW

Tel: 01900 878000

### Carlisle

Atlantic House
Parkhouse
Carlisle
CA3 0LJ

Tel: 01228 585300

mail@david-allen.co.uk • david-allen.co.uk