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## Key tax measures – 2021 Budget

"We are using the full measure of our fiscal firepower... but the damage done by coronavirus... has created huge challenges for our public finances," said Chancellor Rishi Sunak in today's Budget (3 March).

He added, "Our approach while bold is compatible with our approach as fiscally responsible and business friendly".

Below are our key points from the March 2021 Budget announcement, highlighted by our Group Managing Director, Rachel Sestini:

### 1. Coronavirus Covid-19 measures

**Furlough:** The furlough Job Support Scheme is being extended until the end of September 2021, with no change to terms for employees.

As businesses re-open they will be asked to contribute to the cost of paying employees at 10% in July and 20% for August and September.

**Self-Employment Income Support Scheme (SEISS):** Support for the self-employed will continue until September with the roll out of a 4th grant, and 5th grant for May-September.

The SEISS scheme will target support to those most affected by the pandemic, those whose turnover has fallen by 30% or more; others less badly affected will receive less support.

Importantly the scheme is now open to people who filed a tax return for 2019-20 by midnight last night (2 March) and so people initially excluded because they had a new business can now apply.

**Restart Grants:** The current cash grants are coming to an end in March, but a new Restart Grant will be available from April for non-essential retail businesses of up to £6k per business; businesses opening later in the roadmap like personal care will be eligible for larger grants of up to £18k per business.

**Bounceback loans and CBILS:** These schemes are coming to an end, but a new Recovery Loan Scheme is being introduced, offering from £25k to £10m until end of this year. The Government will guarantee 80% of the loans.

**Business rates:** There is a 100% business rates holiday until the end of June, plus discounts of two thirds for closed businesses after that. Around 750,000 eligible businesses in retail, hospitality and leisure will benefit.

**Reduced VAT rate:** Hospitality and tourism businesses have been heavily hit. To protect jobs, the 5% reduced VAT rate will continue until 30th Sept followed by an interim rate of 12.5% for 6 months. The standard rate will be reintroduced from April 2022.

**Help to Grow:** Two new schemes are being introduced. Help to Grow is being introduced for SMEs, to offer world class training for executive development mentoring and peer learning.

Help to Grow digital is aimed at helping businesses move online and will provide small businesses with free digital skills training and a 50% discount on new productivity-enhancing software, worth up to £5,000 each. Register at: <https://helptogrow.campaign.gov.uk>

## 2. Corporation tax

Following much speculation for a number of years, changes are being made to corporation tax.

From April 2023, the smallest businesses, with profits of £50,000 or less will pay a Small Profits Tax at the current rate of 19%. The Chancellor estimates that 70% of companies will be unaffected by the change and will fall into the Small Profits category.

Businesses with profits of over £50,000 will pay higher rates based on a taper system with businesses with profits over £250,000 paying 25% corporation tax (around 10% of businesses).

## 3. VAT

VAT rate and thresholds are to remain as-is (with the exception of the special rate for hospitality and leisure as discussed above).

## 4. R&D tax reliefs

These will be subject to consultation to check they are "worldwide competitive".

In the meantime, the R&D tax relief for SMEs from April 2021 will be capped at £20,000 in any one year plus three times the company's total PAYE and NIC liability.

## 5. Increasing business investment

This Budget introduces the new Super Deduction scheme aimed at encouraging businesses to invest some of the significant cash reserves they have built up. "We need an investment led recovery," said Rishi Sunak.

With the new scheme, when companies invest in equipment, they can recoup through the new scheme by reducing their taxable profits by 130% of the cost. The scheme is scheduled to run for two years.

This applies when they invest in certain new plant and machinery assets ('main rate and special rate assets').

## 6. Personal tax

Income tax: Personal tax thresholds are being frozen from 2021 until 2026, at £12,750. Higher rate will rise next year to £50,270 then stay at that rate until 2026.

## 7. Pensions, IHT and Capital Gains Tax

The pensions lifetime allowance will remain at £1,073,100 until April 2026.

The inheritance tax threshold of £325,000 remains at the 20-21 level until April 2026.

The annual exempt amount for Capital Gains Tax remains at £12,300 until April 2026.

## 8. Stamp Duty Land Tax

The increase in the SDLT Nil Rate Band to £500,000 in England and Northern Ireland will continue until 30 June 2021.

From 1 July 2021 the Nil Rate Band will reduce to £250,000 until 30 September 2021 before returning to the previous level of £125,000 from 1 October 2021.

## 9. House purchases

A mortgage guarantee to help people get on housing ladder with just a 5% deposit is being introduced. Major lenders including Lloyds and NatWest will offer the mortgages from April 2021.

## 10. Daily necessities...?

Alcohol and fuel duty have been frozen. The alcohol duty freeze covers wine and cider as well as beer and spirits.

**If you'd like to discuss any of the changes and how they might affect you, please contact us:**

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