

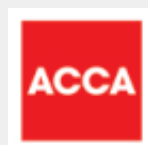
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Andow Ellis
Chartered Certified Accountants

BUDGET 2021: TAX RATES AND ALLOWANCES

A guide to business rates and Budget 2021: tax rates and allowances that summarise the key information you need from Budget 2020.





Andow Ellis
Chartered Certified Accountants

Trym Lodge, 1 Henbury Road, Westbury-on-Trym, Bristol, BS9 3HQ
0117 962 2721
tim@andow-ellis.co.uk
www.andow-ellis.co.uk

A SIMPLE GUIDE TO THE BUDGET 2021

This is a basic guide, prepared by ACCA's Technical Advisory team, for members and their colleagues or clients. It's an introduction only and should not be used as a definitive guide, since individual circumstances may vary. Specific advice should be obtained, where necessary.

The message from the Chancellor was that this is a budget that shows 'the government gets things done.'

You can read the individual measures and details of some of the numerous consultations below.

	2021/22	2020/21
	£	£
Income tax rates: England, Wales & Northern Ireland (non-dividend income) (note 1)		
0% starting rate for savings only	Up to 5,000	Up to 5,000
20% basic rate tax	12,571 - 50,270	12,501 - 50,000
40% higher rate tax	50,271 - 150,000	50,001 - 150,000
45% additional rate tax	Above 150,000	Above 150,000
<i>Note 1: Welsh income tax rates and thresholds are subject to parliamentary approval, however the Welsh Government has made a commitment not to raise Welsh Rates of Income Tax. Therefore, Welsh taxpayers will continue to pay the same rates as their English and Northern Irish counterparts. The Income tax bands will remain frozen until tax year 2025-26.</i>		
Scottish rates of income tax (non-dividend income) (note 2)		
19% starting rate	12,571 - 14,667	12,501 - 14,585
20% basic rate tax	14,668 - 25,296	14,586 - 25,158
21% intermediate rate tax	25,297 - 43,662	25,159 - 43,430
41% higher rate tax	43,663 - 150,000	43,431 - 150,000
46% top rate	Above 150,000	Above 150,000
<i>Note 2: Scottish taxpayers pay the same tax as the rest of the UK on dividends and savings interest. Scottish income tax rates and thresholds are subject to parliamentary approval.</i>		
	2021/22	2020/21
Income tax rates (dividend income)		
Dividend allowance	£2,000	£2,000
Dividend ordinary rate (for dividends within basic rate band)	7.50%	7.50%
Dividend upper rate (for dividends within higher rate band)	32.50%	32.50%
Dividend additional rate (for dividends above higher rate band)	38.10%	38.10%
Child benefit / guardian's allowance rates (notes 3 & 4)		
Higher rate (eldest or only child) (per week)	£21.15	£21.05
Other children	£14.00	£13.95
Guardian's allowance per week	£18.00	£17.90



Note 3: An income tax charge will apply to taxpayers with 'adjusted net income' exceeding £50,000 in a tax year, when child benefit is also received by them or their partner. The charge will reduce the financial benefit of receiving child benefit for those with income between £50,000 and £60,000 and remove it completely for taxpayers with income above £60,000.

Note 4: From January 2021, no child benefit payments are made in respect of children living overseas. This will apply to EEA migrants arriving in the UK under the new immigration system.

Personal allowances	£	£
Personal allowance (note 5)	12,570	12,500
Dividend allowance	2,000	2,000
Maximum married couple's allowance for those born before 6 April 1935 (note 6)	9,125	9,075
Married couple's allowance – minimum amount	3,530	3,510
Micro entrepreneur's allowance: individuals making property or trading incomes below the level of the allowance will no longer need to declare or pay tax, while those whose income exceeds the allowance have the choice of simply deducting the allowance instead of calculating their exact expenses or calculating their profits in the normal manner	Allowance: 1,000 each	Allowance: 1,000 each
Income limit for personal allowance (note 7)	100,000	100,000
Income limit for married couple's allowance: born before 6 April 1935	30,400	30,200
Blind person's allowance	2,520	2,500
Rent-a-room relief	7,500	7,500
Transferable / shareable tax allowance for married couples and civil partners (note 8)	1,260	1,250
	2021/22	2020/21
	£	£
Personal savings allowance for basic rate taxpayers	1,000	1,000
Personal savings allowance for higher rate taxpayers	500	500
Personal savings allowance for additional rate taxpayers	0	0
<i>Note 5: From 2016/17 onwards, all individuals are entitled to the same personal allowance, regardless of the individual's date of birth. This allowance is subject to the £100,000 income limit which applies regardless of the individual's date of birth.</i>		
<i>Note 6: This allowance is reduced by £1 for every £2 of income in excess of the income limit, but married couple's allowance will not reduce below £3,530.</i>		
<i>Note 7: Personal allowances are subject to the £100,000 income limit, which applies regardless of the individual's date of birth. The individual's personal allowance is reduced where their income is above this limit. The allowance is reduced by £1 for every £2 above the limit, down to zero.</i>		
<i>Note 8: This allowance is available to married couples and civil partners who are not in receipt of married couple's allowance. A spouse or civil partner who is not liable to income tax, or not liable at the higher or additional rates, can transfer this amount of their unused personal allowance to their spouse or civil partner. The recipient must not be liable to income tax at the higher or additional rates. If the couple marry or register a civil partnership, they will get the allowance on a pro-rata basis for the rest of that tax year. If one of them dies or there is a divorce or separation, the allowance continues until the end of the tax year.</i>		
National insurance		
Lower earnings limit, primary class 1 (per week)	£120	£120
Upper earnings limit, primary class 1 (per week)	£967	£962





Apprentice upper secondary threshold (AUST) for under 21s / 25s	£967	£962
Primary threshold (per week)	£184	£183
Secondary threshold (per week)	£170	£169
Employment allowance (per year / employer) (note 9)	£4,000	£4,000
Employee's primary class 1 rate between primary threshold and upper earnings limit	12%	12%
Employee's primary class 1 rate above upper earnings limit	2%	2%
Married woman's reduced rate between primary threshold and upper earnings limit	5.85%	5.85%
Married woman's rate above upper earnings limit	2%	2%
Employer's secondary class 1 rate above secondary threshold	13.80%	13.80%
	2021/22	2020/21
Class 2 rate (per week where profits are above small profits threshold)	£3.05	£3.05
Class 2 small profits threshold (per year)	£6,515	£6,475
Special class 2 rate for share fishermen (per week)	£3.70	£3.70
Special class 2 rate for volunteer development workers	£6.00	£6.00
Class 3 voluntary rate (per week)	£15.40	£15.30
Class 4 lower profits limit	£9,568	£9,500
Class 4 upper profits limit	£50,270	£50,000
Class 4 rate between lower profits limit and upper profits limit	9.00%	9.00%
Class 4 rate above upper profits limit	2.00%	2.00%
<p><i>Note 9: From April 2020, this will be limited to employers with an employer NIC bill below £100,000 in the previous tax year. Any deemed payments made to off-payroll workers do not count towards the £100,000 employers (secondary) class 1 NICs total. You cannot claim employment allowance for these workers. Employment allowance cannot be claimed for off-payroll workers.</i></p>		
Pensions	£	£
Annual allowance (note 10)	40,000	40,000
Lifetime allowance (note 11)	1,073,100	1,073,100
Money purchase annual allowance (note 12)	4,000	4,000
<p><i>Note 10: The annual allowance is a limit to the total amount of contributions that can be paid to a defined contribution pension scheme and the total amount of benefits that you can build up in a defined benefit pension scheme each year, for tax relief purposes.</i></p> <p><i>Since 6 April 2016, individuals with a high income have had a tapered annual allowance, where for every £2 of adjusted income over a threshold, an individual's annual allowance is reduced by £1. From 6 April 2020, the Tapered Annual Allowance applies for individuals with 'threshold income' of over £200,000, and 'adjusted income' of over £240,000. The annual allowance will be £4,000 for individuals with total adjusted income (including pension accrual) over £312,000.</i></p> <p><i>From April 2021, the annual allowance for individuals with total income (including pension accrual) of over £312,000 will be £4,000.</i></p> <p><i>Note 11: The lifetime allowance will remain same at the current level of £1,073,100 until April 2026.</i></p> <p><i>Note 12: The annual allowance is currently capped at £40,000, although a lower limit of £4,000 may apply if you have already started drawing a pension.</i></p>		





	2021/22	2020/21
Reliefs and incentives		
Enterprise Investment Scheme (EIS) – maximum (note 13)	£1,000,000	£1,000,000
Venture Capital Trust (VCT) – maximum	£200,000	£200,000
Enterprise Management Incentive Scheme (EMI) – employee limit up to the value of £250,000 in a three-year period	£250,000	£250,000
Seed Enterprise Investment Scheme (SEIS) – maximum (note 14)	£100,000	£100,000
Social Investment Tax Relief (SITR) – maximum	£1,000,000	£1,000,000
Income tax relief on EIS schemes	30%	30%
Income tax relief on VCT schemes	30%	30%
Income tax relief on SEIS schemes	50%	50%
Income tax relief on SITR schemes	30%	30%
<i>Note 13: From 6 April 2018, the annual limit is doubled to £2m, provided that any amount over £1m is invested in one or more knowledge-intensive companies.</i>		
<i>Note 14: Capital gains tax reinvestment relief may also be available for investments made in 2018/19 on 50% of the amount invested.</i>		
Individual Savings Account (ISA):	£	£
ISA (NISA) annual limit	20,000	20,000
Junior ISA investment annual limit – under 18, living in the UK	9,000	9,000
Child Trust Fund annual limit	9,000	9,000
Lifetime ISA annual limit (note 15)	4,000	4,000
<i>Note 15: To open a Lifetime ISA you must be 18 or over but under 40. Contributions can be made until age 50. The government will add a 25% bonus to the savings, up to a maximum of £1,000 per year. The lifetime ISA limit of £4,000 counts towards the annual ISA limit.</i>		
Capital gains tax		
	2021/22	2020/21
<i>Rate</i>		
Basic rate tax payer	10%	10%
Higher rate tax payer	20%	20%
<i>Gain on sale of residential property</i>		
Basic rate tax payer	18%	18%
Higher rate tax payer	28%	28%
	2021/22	2020/21
Annual exemption – individuals / trusts for disabled persons (note 16)	£12,300	£12,300
Annual exemption – other trusts	£6,150	£6,150
Business Assets Disposal Relief lifetime limit (note 17)	£1,000,000	£1,000,000
Investors' Relief lifetime limit	£10,000,000	£10,000,000
Entrepreneurs'/Investors' rate	10%	10%
Chattels exemption	£6,000	£6,000
<i>Note 16: Annual exemption of £12,300 is frozen until tax year 2025-26.</i>		
<i>Note 17: Business Assets Disposal Relief (formerly Entrepreneurs' Relief) lifetime limit reduced from £10m to £1m for disposals made on or after 11 March 2020.</i>		
Inheritance tax	2021/22	2020/21





Single person's nil-rate band	£1 - £325,000	£1 - £325,000
Single person's 40% band	over £325,000	over £325,000
Residence nil-rate band (RNRB) – maximum (note 18)	£175,000	£175,000
Reduced rate (note 19)	36%	36%
IHT rate (for chargeable lifetime transfers)	20%	20%
Married couples or civil partnerships allowance nil-rate band	£650,000	£650,000
Gifts to charities	Exempt	Exempt
Small gifts to same person	£250	£250
General gifts – annual exemption	£3,000	£3,000
Wedding gifts to children	£5,000	£5,000
Wedding gifts to grandchildren	£2,500	£2,500
Wedding gifts to any other person	£1,000	£1,000

Note 18: The RNRB is available in respect of a main residence given away to children (including adopted, foster or stepchildren). Any unused nil-rate band transfers to the deceased's spouse or civil partner, even where death predates the availability of the additional threshold. It applies in addition to the existing nil-rate band (NRB) or threshold (currently £325,000) if the individual and estate meet the qualifying conditions.

Note 19: The estate can pay inheritance tax at a reduced rate of 36% on some assets if you leave 10% or more of the net value to charity in your will.

Business Property Relief	2021/22	2020/21
Business or interest in a business and transfers of unquoted shareholdings	100%	100%
Taxation of trusts	2021/22	2020/21
<i>Accumulation or discretionary trusts:</i>		
Trust income up to £1,000 – dividend type income (note 20)	7.50%	7.50%
Trust income up to £1,000 – all other income	20%	20%
Trust income over £1,000 – dividend type income (note 20)	38.10%	38.10%
Trust income over £1,000 – all other income	45%	45%
<i>Interest in possession trusts:</i>		
Dividend type income	7.50%	7.50%
All other income	20%	20%

Note 20: Trustees do not qualify for the dividend allowance. This means trustees pay tax on all dividends depending on the tax band they fall within.

Corporation tax		
All profits and gains (excluding determination agreements and diverted profits) (note 21)	19%	19%
S.455 tax on loans made by close companies to participators	32.50%	32.50%

Note 21: Corporation tax rate will remain at 19% until March 2023. From April 2023, the main rate will increase to 25% for business profits made by the company over £250,000. A small profits rate (SPR) will also be introduced for companies with profits of £50,000 or less so that they will continue to pay Corporation Tax at 19%. Companies with profits between £50,000 and £250,000 will pay tax at the main rate reduced by a marginal relief providing a gradual increase in the effective Corporation Tax rate.

Capital allowances		
Main writing-down allowance (reducing balance)	18%	18%





Special rate writing-down allowance (reducing balance)	6%	6%
Structures and buildings allowance (SBA)	3%	3%
Motor cars if CO2 > 50g/km but does not exceed 110g/km)	6%	18%
Motor cars if CO2 > 110g/km	6%	6%
FYA – New and unused motor cars if CO2 emissions are 50 g/km or less (or car is electric) (note 22)	100%	100%
Small pool write-off where WDV is £1,000 or less	100%	100%
First-year allowances for electric charge points (note 23)	100%	100%
Annual investment allowance (AIA) (note 24)	£1,000,000	£1,000,000
Annual investment allowance rate	100%	100%
<p><i>Note 22: From April 2021, the thresholds for FYA will be reduced from 50g/km to 0g/km. Main rate of 18% capital allowance will be applicable for business cars with CO2 emissions not exceeding 50g/km. Business cars with CO2 emissions exceeding 50g/km will be eligible for writing-down allowance at the special rate of 6%.</i></p> <p><i>Note 23: The allowance will be available until 31 March 2023 for incorporated businesses and 5 April 2023 for unincorporated businesses.</i></p> <p><i>Note 24: From 1 January 2019 the annual investment allowance is increased from £200,000 to £1m for investment made from 1 January 2019. This is temporarily extended until 31 December 2021. The threshold will revert back to £200,000 from 1 January 2022.</i></p>		
Research and development tax credit rates	2021/22	2020/21
SME rate	230%	230%
Research and development SME payable credit (note 25)	14.5%	14.5%
Research and development expenditure credit (RDEC) scheme	13%	13%
Film / High-end TV / videogames tax credit	25%	25%
Open-ended investment companies and authorised unit trusts	20%	20%
<p><i>Note 25: For accounting periods beginning on or after 1 April 2021, the amount of SME payable R&D tax credit that a business can receive in any one year will be capped at £20,000 plus three times the company's total PAYE and NICs liability.</i></p>		
Patent box		
Patent box	10%	10%
VAT		
Standard rate (note 26)	20%	20%
Reduced rate	5%	5%
Zero rate	0%	0%
Flat rate of VAT on gross turnover (for limited cost trader)	16.5%	16.5%
Normal scheme registration threshold	£85,000	£85,000
Deregistration threshold	£83,000	£83,000
Cash and Annual accounting scheme – maximum to join	£1,350,000	£1,350,000
Cash and Annual accounting scheme – exit threshold	£1,600,000	£1,600,000
Flat-rate scheme – maximum allowed to join	£150,000	£150,000
Flat-rate scheme exit threshold	£230,000	£230,000
<p><i>Note 26: Due to the Coronavirus pandemic, the hospitality, holiday accommodation and attractions industry can apply a reduced rate of 5% for certain supplies made between 15 July 2020 and 30 September 2021. Further the rates for these sectors will be 12.5% until 31 March 2022 before they are back to normal standard rate of VAT 20%.</i></p>		





	2021/22	2020/21
Annual tax on enveloped dwellings (ATED)	£	£
More than £0.5m but not more than £1m	3,700	3,700
More than £1m but not more than £2m	7,500	7,500
More than £2m but not more than £5m	25,300	25,200
More than £5m but not more than £10m	59,100	58,850
More than £10m but not more than £20m	118,600	118,050
More than £20m	237,400	236,250

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Regulated for a range of investment business activities by the Association of Chartered Certified Accountants
Also at: The Hive, 6 Beaufighter Road, Weston-super-Mare, Somerset, BS24 8EE
Director: T P Andow FCCA ATT (Fellow)