

AUDIT • TAX • ADVISORY

WEBINAR | 28 OCTOBER 2021

# Autumn Budget 2021

## What does it mean for you?



Now, for tomorrow



# Welcome

There will be a **Q&A session at the end of this webinar** to address any specific questions you have.

Please submit your questions via the **Q&A button**, located at the bottom of your screens.

You can find related resources on the **Autumn Budget Hub** on the MHA website:

[mha-uk.co.uk/autumn-budget-2021/](https://mha-uk.co.uk/autumn-budget-2021/)



## SPEAKERS



**Alastair Wilson**

*Tax Partner, MHA*



**Tony Medcalf**

*Tax Partner, MHA*



**Alison Horner**

*Indirect Tax Partner, MHA*



**Nigel Morris**

*Employment Tax Director, MHA*

# Non Corporate Taxes

Tony Medcalf, Tax Partner, MHA





## Income Tax

Thresholds frozen for five years to 6 April 2026

	2021/22	2022/23	2024/25 - 2025/26	Tax rate	Dividend 2021/22	Tax rate 2022/23
Personal allowance	12,570	12,570	12,570	0%	0%	0%
Basic rate band	37,700	37,700	37,700	20%	7.5%	8.75%
Higher rate threshold	50,270	50,270	50,270	40%	32.5%	33.75%
Additional rate threshold	150,000	150,000	150,000	45%	38.1%	39.35%



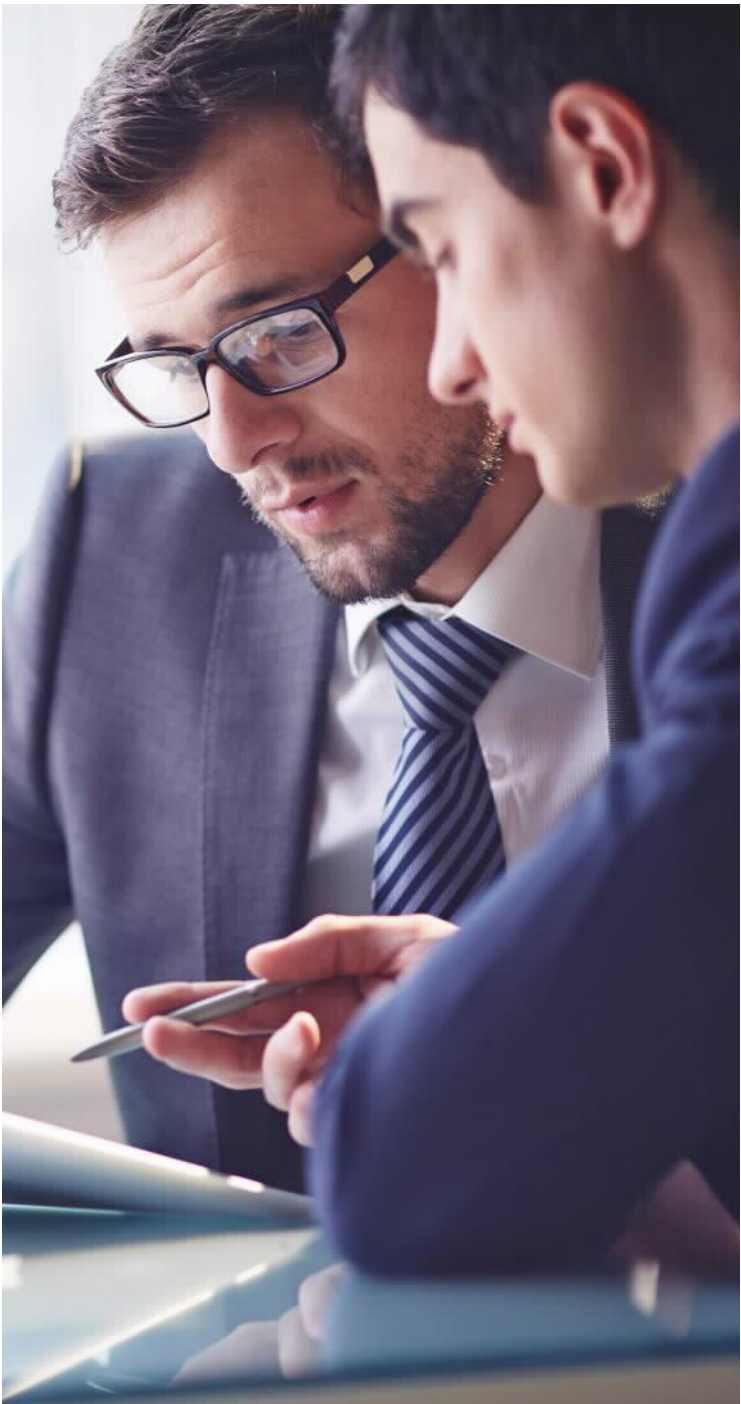
## Income Tax

Threshold freeze – financial impact

e.g. individual earning £60,000 p.a.

- Income tax liability 2025-26 (frozen thresholds)  
£11,432
- Income tax liability 2025-26 (2% p.a. increase)  
£10,396
- Additional tax £1,036
- Making tax digital for income tax self assessment deferred until 6 April 2024.
- General partnerships not required to join until 6 April 2025.





## Income Tax – Basis Periods

- With effect from 6 April 2024 changes to the way profits are taxed for “businesses” with a year end different to 31 March or 5 April.
- From 6 April 2024 businesses will be taxed on the profit arising in a tax year.
- The tax year 2023/24 will be the transitional year, with tax being calculated on profits for an extended year less any overlap relief
- Businesses includes self employed traders, individuals with a profession or vocation, partners of trading partnerships, trading trusts and non resident companies with trading income.
- Higher profits in 2023/24 automatic ability to spread additional profit over 5 years (can elect out).







## Income Tax

Sole trader year end 30 September.

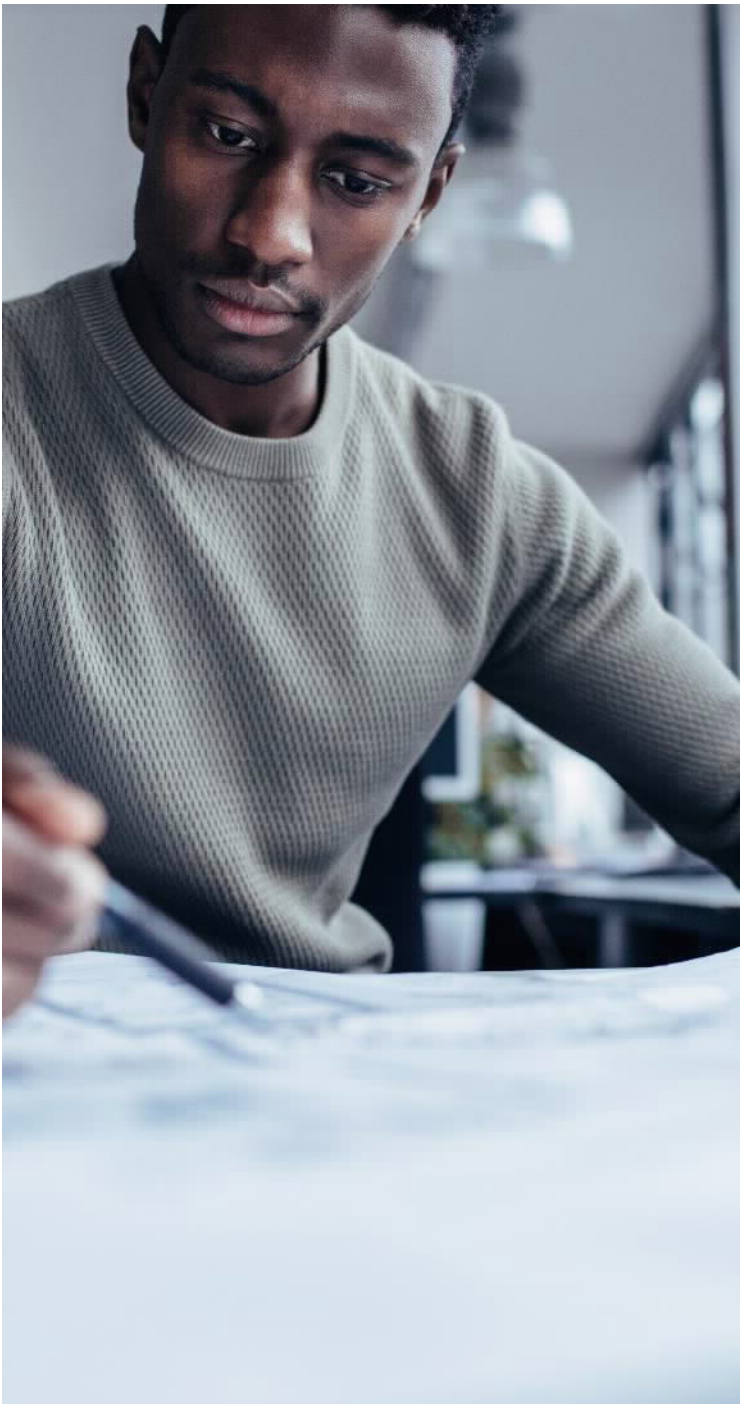
Tax year 2022/23: based on profits for year ended 30 September 2022.

Tax year 2023/24:	£
Profit for the year end 30 Sept 2023	100,000
Period 1 October 2023 – 31 March 2024	<u>50,000</u>
Total	150,000
Less overlap profit B/f	<u>(20,000)</u>
<b>Taxable profit</b>	<b>130,000</b>

- Additional £30,000 profits can be taxed at £6,000 per year over 5 years 2023/24 to 2027/28.







## Capital Taxes



### Capital gains tax

- No announcement on changes to rates..... may rise in a future Budget?
- Annual exemption remains at £12,300 until 6 April 2026.
- No changes to Business Asset Disposal Relief – 10% on first £1m of gains.
- The time limit for the reporting and payment of capital gains tax on the disposal of UK land and property extended from 30 days to 60 days.
- On a sale of a mixed used property only the residential element of the gain must be reported.



## Capital Taxes

### Inheritance tax

- Nil rate band frozen at £325,000 until 6 April 2026. Will have remained the same for 16 years!
- Residence nil rate band frozen at £175,000 until 6 April 2026.
- No changes to reliefs available

## Pensions

- Lifetime Allowance frozen at £1,073,100 until 6 April 2026.
- No changes to higher rate tax relief.
- No changes to annual contribution limits.
- Ability to access pension increased from age 55 to 57 with effect from 6 April 2028.





## Stamp Duty Land Tax - Residential

<b>Rates from Consideration</b>	<b>1 October 2021 SDLT rate</b>
£0 - £125,000	0%
£125,001 - £250,000	2%
£250,001 - £925,000	5%
£925,001 - £1,500,000	10%
£1,500,000 +	12%

- No further changes announced in this budget for commercial SDLT
- 3% surcharge on second residential property or if bought by a limited company applies throughout



## Economic Crime (Anti-Money Laundering) Levy

- On entities regulated for Anti-Money Laundering purposes e.g. financial institutions, accountants, legal advisers, estate and letting agents
- Levy will be charged on **UK revenue** in a FY running from 1 April 2022 to 31 March 2023.
- The levy payments are made at the end of the FY meaning the first payments will be due in the financial year 1 April 2023 to 31 March 2024.

UK Turnover	Levy
<£10.2m	Exempt
£10.2m-£36m	£5,000 - £15,000
£36m - £1bn	£30,000 - £50,000
>£1bn	£150,000 - £250,000

- Final fixed fees to be set out in final legislation in Finance Bill.

# Corporate Taxes

Alastair Wilson, Tax Partner, MHA





# Business Taxes





## Has this been a political pause in raising taxes?

The Chancellor appears to be spending his additional taxes very quickly!

	2021/2022 £bn	2022/2023 £bn	2023/2024 £bn	2024/2025 £bn	2025/2026 £bn	2026/2027 £bn	
March 21 Budget							
Total spending policy decisions	-2,765	-34,770	+215	+345	+720	+875	
Total tax policy decisions	-3,245	-24,095	-8,005	+12,760	+24,305	+28,860	
October 21 Budget							
Total spending policy decisions	-715	-38,040	-34,020	-23,885	-21,730	-22,670	
Total tax policy decisions	-2,270	+12,695	+12,165	+14,105	+14,275	+14,965	
Total across the two Budgets							Total £bn
Total spending policy decisions	-3,480	-72,810	-33,805	-23,540	-21,010	-21,795	-176,440
Total tax policy decisions	-5,515	-11,400	+4,160	+26,865	+38,580	+43,825	+96,515

# Corporation Tax Incentives





## Corporation Tax Rates

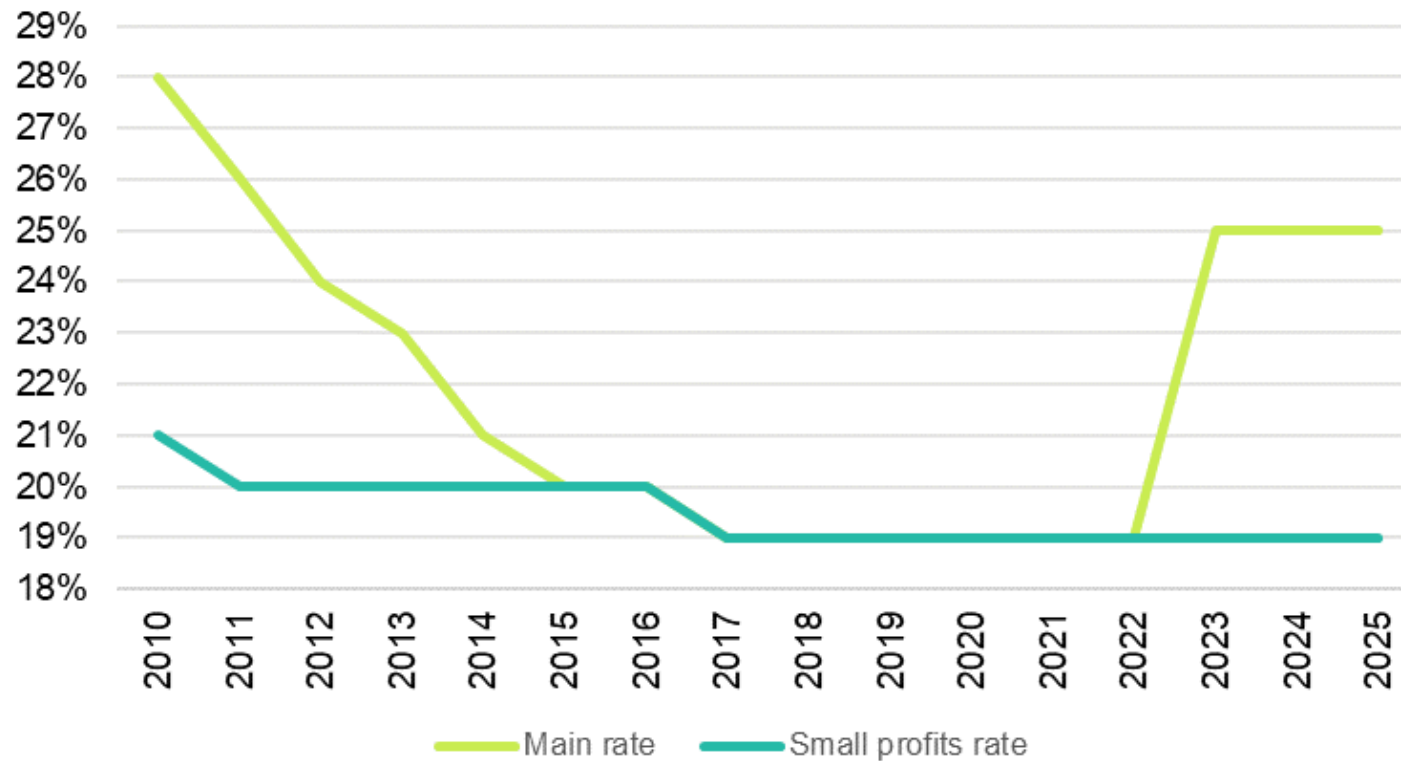
- As previously announced, main rate of corporation tax increasing from 19% to 25% from April 2023
- Businesses with profits less than £50,000 will continue to be taxed at 19%
- A tapered rate will be introduced for profits between £50,000 and £250,000

	Main rate	Small profits rate
From April 2017	19%	N/A
From April 2023	25%	19%

- Now impacting on deferred tax in company accounts
- From 1 April 2022 a new UK residential property development tax will apply to developers with taxable profits exceeding £25m.



## Corporation Tax Rates





## Corporation Tax Rates

- The lower and upper limits will be proportionally reduced for short accounting period and where there are associated companies
- Broadly, a company will be associated with another company at a particular time, if at that time or at any other time within the preceding 12 months:
  - one company has control of the other
  - both companies are under the control of the same person or group of persons
- The associated companies rules will also replace the 51% group company test for the purposes of determining whether a company is large or very large for quarterly instalment payment purposes.





## Trading Loss Utilisation

- As previously announced, there is **extended relief rules**, where businesses can carry back losses three years instead of one, up to a **maximum of £2m per year**, for accounting periods ending in the period from **1 April 2020 to 31 March 2022**
- Groups will be subject to a group **cap of £2m** for each relevant period
- No pro-rating of the cap if an accounting period in an earlier period is less than 12 months
- The rules are complicated and the interaction with other factors (increasing CT rate, super-deduction for CAs, group position etc) should be considered
- Claims of less than £200,000 may be made outside of a tax return.



## Reliefs and Incentives

- Museums, Galleries and Exhibitions Tax Relief (MGETR) was due to end March 2022 – extended to March 2024
- Rules on “touring” will also be clarified for MGETR, theatre tax relief (TTR) and orchestra tax relief (OTR)
- With effect from 27 October 2021, the relief rates for MGETR, TTR and OTR are also increasing, until 31 March 2023 when they will start to taper back down, as follows:

	Current	27 Oct 2021 – 31 Mar 2023	2023/24	2024/25
<b>TTR: Non-Touring / Touring</b>	20% / 25%	45% / 50%	30% / 35%	20% / 25%
<b>OTR</b>	25%	50%	35%	25%
<b>MGETR: Non-Touring / Touring</b>	20% / 25%	45% / 50%	30% / 35%	20% / 25%

- Note – effective rate of relief is 80% of the above rates.



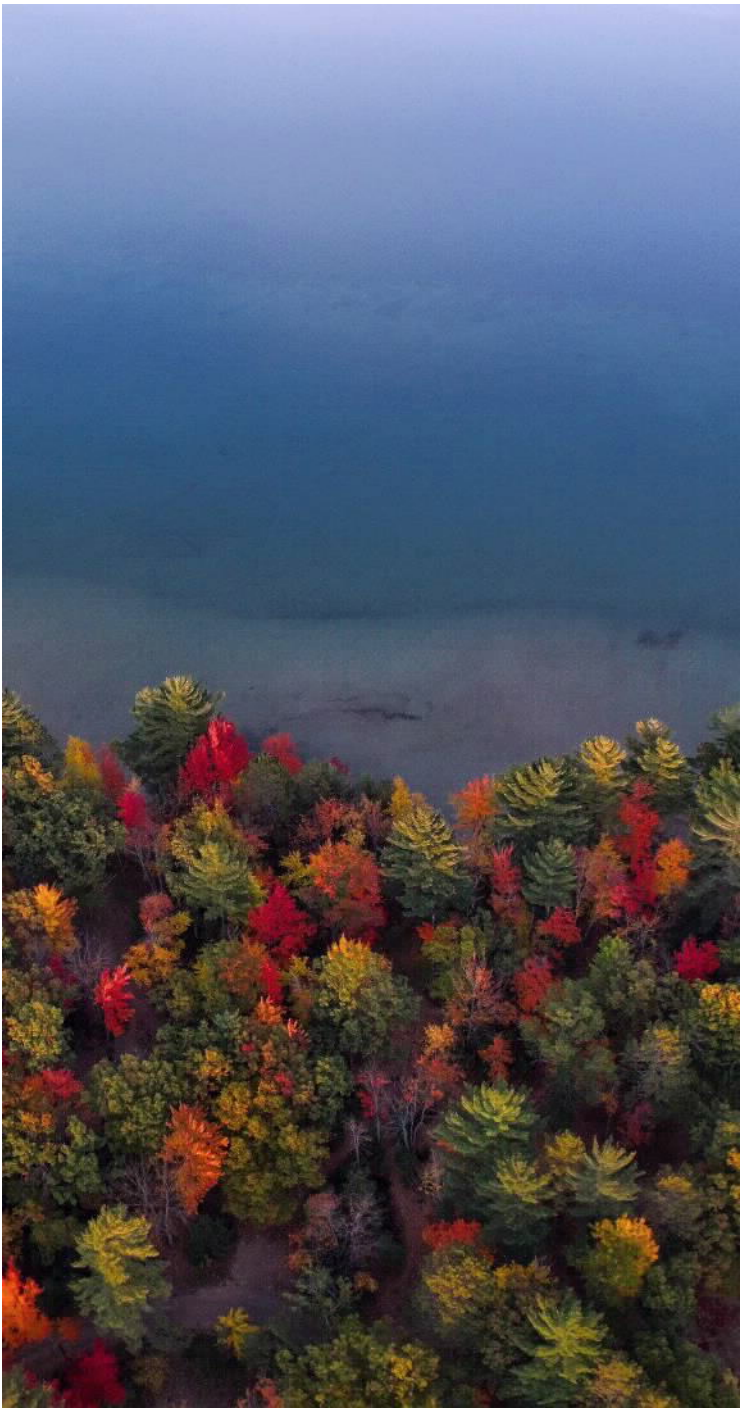
## Relief and Incentives

### Changes coming to R&D (details to be released later)

- Extending scope to include data and cloud computing
- Restricting relief in respect of overseas spending
- The government will also set out plans to tackle abuse of and improve compliance with the R&D tax reliefs later in the autumn

### Capital Allowances

- AIA increase to £1m (previously due to end 31 December 2021) extended to March 2023
- Aligns with period of super-deduction so only beneficial if spending >£200,000 on special rate or second-hand assets
- Both AIA and super deduction are temporary reliefs – use them or lose them!



## Other points – How do you know if they apply to you?

1. Confirmation of Freeport site details
2. Banking Surcharge
3. Plastic Packaging Tax – additional details
4. Anti Hybrid Rules – additional details
5. Redomiciling groups to the UK

# Business Rates





## Business Rates

- Still going to be an area of friction between the “bricks and mortar” and the “online” economies
- No major reform at this point but proposal to have more frequent revaluations
- Consultation on an online sales tax to be carried out
- Temporary business rates relief for retail, hospitality and leisure properties
- This temporary relief retail, hospitality and leisure properties has proved to be very useful in the past
- Reliefs for investment in property improvements to ensure that improvements do not cause an increase in rates for 12 months after carried out
- Exemptions to be introduced for improvements in the form of plant and machinery which encourage decarbonisation of commercial buildings.



# Indirect Taxes

Alison Horner, Indirect Tax Partner, MHA



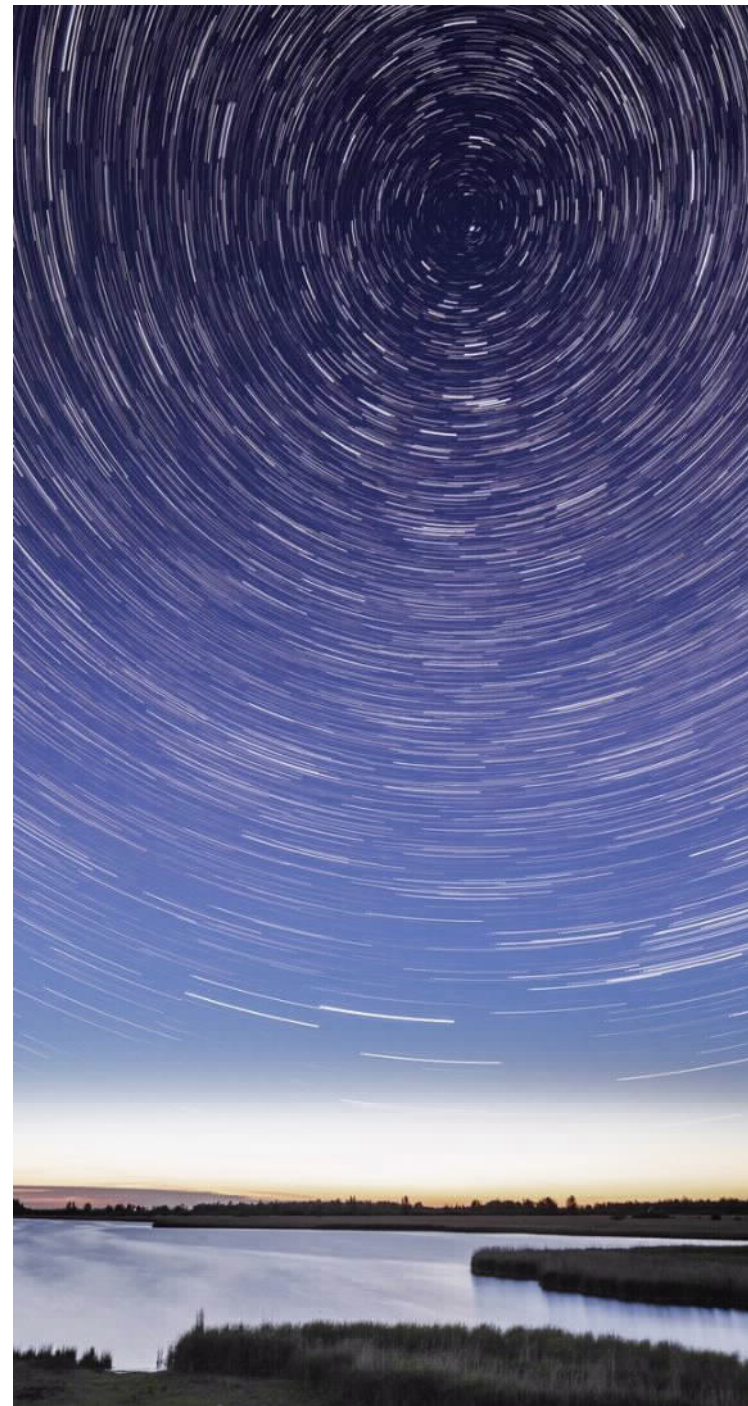


## Key Themes

- Disappointment for the hospitality sector who hoped the VAT reduced rate may stay forever.
- Was introduced in July 2020 at 5%. Risen to 12.5% and goes back to 20% at the end of March 2022.
- Cost the Exchequer £4.7bn and the business rates and other incentives will only go so far in compensating the sector.
- Chancellor now has the freedom to set own taxes and duties and whilst he has started to play with duty rates no sweeping changes to the VAT rate.
- Calls for a cut to the 5% VAT rate for domestic fuel and power was ignored and could have cost the Exchequer £1.6bn
- Plastic Packaging Tax – 1/4/22
- Raise £235m p.a
- Less than 30% recycled will be taxed at £200 per tonne.
- Importers watch out.

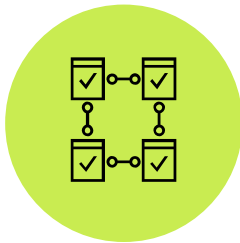
## Indirect Tax Receipts

- April 2021 – September 2021 £75.3bn (47.3bn higher than last year pandemic period.)
- Pre-pandemic annual receipts = £132bn.
- VAT payment deferrals come into this reporting year
- April 2020 – March 2021 fell by 28.4bn . Payment deferral and 5% reduced rate impacted most.
- Import VAT receipts are lower due to introduction of PVA
- Customs Duties now UK revenue rather than the EU. No oversight on these statistics yet.
- Can see impact that giving VAT cuts brings.





## Fuel, Travel and Alcohol Taxes



### Fuel Duty

Frozen for the 12<sup>th</sup> year

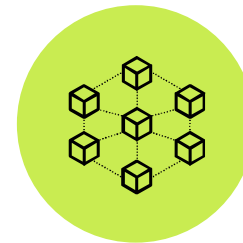
Gives some respite for drivers during the global supply chain crisis and rising prices.



### Travel taxes.

Air Passenger Duty is reduced for UK Domestic flights

Increased for long haul flights



### Alcohol Duty reform

Reforms will come in 2023

Simplifies the European rules and increases cost for strong alcohol

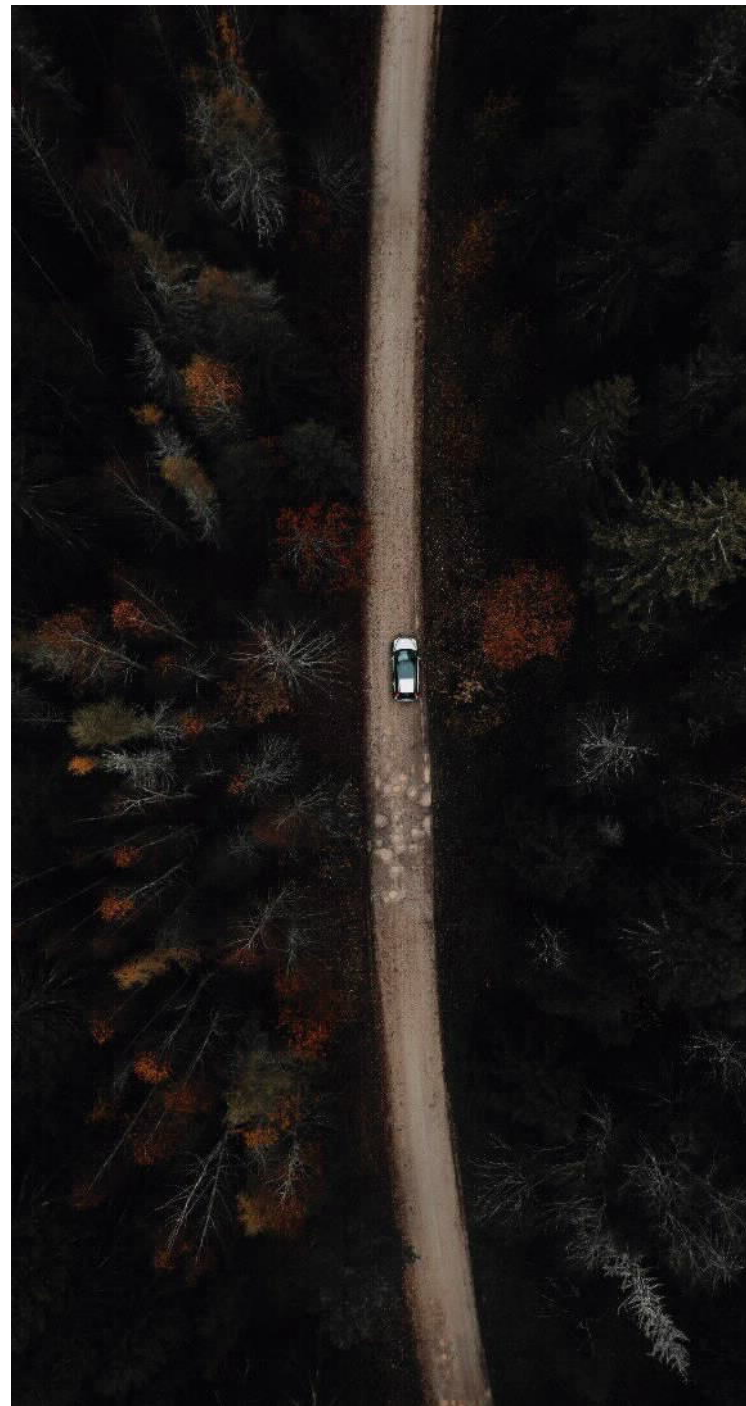
Decreased for prosecco, rose, fruit ciders and draught beer.

Planned annual rise has been frozen



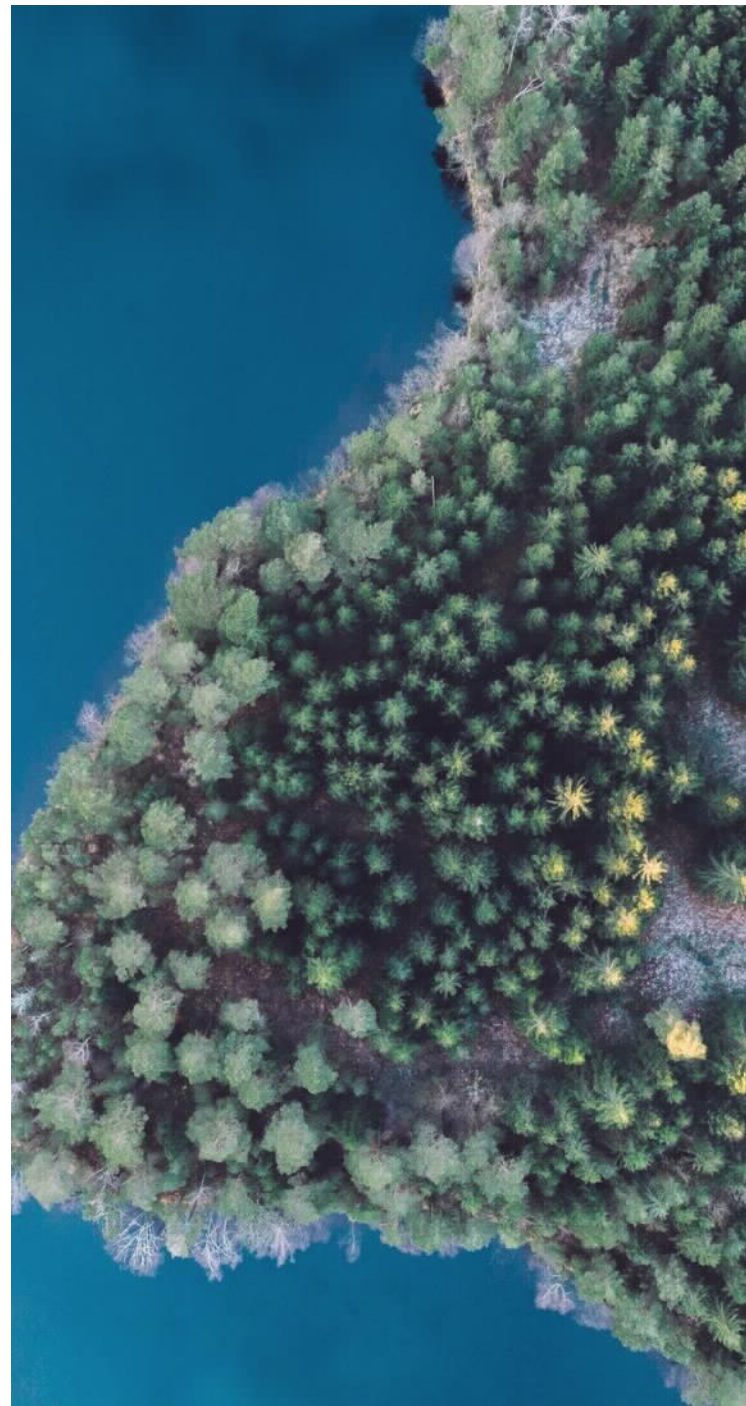
## Specific VAT Charges

- VAT exemption applies to dental prostheses for imports into the UK and Northern Ireland.
- Backdated to 1/1/21
- New Motor Vehicle Export refund Scheme to be introduced for movement of second hand cars to NI.
- In the interim dealers can use the margin scheme – VAT only declared on the profit margin.



## VAT and Freeports

- There are 8 sites designated in the UK.
- Goods are entered and traded Customs Duty and VAT free.
- Processing and manufacturing can take place within a freeport VAT and duty free.
- VAT legislation brought in to prevent goods being sold VAT free if they do not meet the freeport criteria. Anti-avoidance legislation will be introduced very soon.





# Employment Taxes

Nigel Morris, Employment Tax Director, MHA





# Employment Taxes

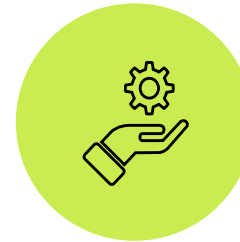
Leaked



## National Insurance Contributions (NIC) / Social care Levy

As previously announced from 6 April 2022 there will be a temporary 1.25% increase in NIC, before returning back to current levels, when a new Social Care Levy will be introduced. The NIC rates will be:

		Class 1		Class 2
		Employee (main/higher rate)	Employer	Self-employed (main/higher rate)
Current NICs rates (2021/22)		12% / 2%	13.80%	9% / 2%
Temporary NICs rates (2022/23)		13.25% / 3.25%	15.05%	10.25% / 3.25%
NICs rates from 2023/24	NICs	12% / 2%	13.80%	9% / 2%
	Levy	1.25%	1.25%	1.25%



## National Minimum Wage (NMW)

Another pre-announced measure is the increase from April 2022 of the NMW from the current 8.91 to the new £9.50

The revised rates will be:

	Apr-21	Apr-22	
<b>23 and over</b>	£8.91	£9.50	+6.6%
<b>21 to 22</b>	£8.36	£9.18	+9.81%
<b>18 to 20</b>	£6.56	£6.83	+4.12%
<b>Under 18</b>	£4.62	£4.81	+4.11%
<b>Apprentice</b>	£4.30	£4.81	+11.86%



## Employment Taxes

Leaked

### Previously announced

- Personal allowance (£12,570) and the basic rate limit (£37,700) frozen until 5 April 2026 rather than increasing annually in line with inflation
- NIC Class 1 upper earnings limit & Class 4 upper profits limit aligned with income tax higher rate threshold level of £50,270 included in the freeze
- Company Car Tax (CCT) – rates already announced for 2022-23 remain frozen until 2024-25

### New announcements

- Car and van fuel benefit charge: uprate by CPI in 2022-23
- Van benefit charge: uprate by CPI in 2022-23
- National Insurance contributions (NICs) rates and thresholds –September CPI figure 3.1% for uprating NIC limits & thresholds, and Class 2 and 3 NICs, for 2022-23.

### Unchanged

- Tax rates
- Pension relief
- Salary sacrifice



**Questions?**

## CONTACT US

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