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CHARTERED ACCOUNTANTS & CHARTERED TAX ADVISERS

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THE AUTUMN BUDGET 2021

Chancellor Rishi Sunak delivered the Autumn Budget on 27 October and it was a Budget which aims to ensure that the UK economy bounces back following the Coronavirus pandemic.

The main announcements were focused on spending and there were relatively few tax changes announced. Income tax limits and the personal income tax allowance will remain at their current level until April 2026 and there were no increases to Capital Gains Tax (CGT) or Inheritance Tax rates or allowances (nor any changes to Agricultural or Business Property Reliefs).

However, a rise in the National Living Wage was announced, together with an extension of the 100% Annual Investment Allowance for businesses investing in plant and machinery, and an increase in the timescale within which individuals have to report and pay CGT on the sale of residential property. I have set out below a summary of the main announcements, together with a reminder of some of the tax and National Insurance changes previously announced, some of which are due to take effect from next April.

Key changes for individuals

- The 30 day time limit for reporting and paying CGT on the sale of residential property (as we have written about in detail in previous articles) has been increased to 60 days from the date of completion of the property sale. This extended deadline applies for completions which take place on or after Budget day (27 October 2021).
- The standard National Living Wage for those aged 23 and over will increase to £9.50 an hour from 1 April 2022, whilst those aged 22 and under will also see an increase.
- The current earliest age at which most pension savers can access their pension pots without triggering a tax charge is 55. From April 2028, this earliest age will rise to 57. This measure will affect individuals born after 5 April 1973, whose earliest date to access their pension benefits will see a two year delay compared to those born on or before that date.
- The taper rate in Universal Credit will reduce from 63% to 55%, meaning Universal Credit claimants will be able to keep an additional 8p for every £1 of net income they earn.
- As previously announced in September, the 1.25% Health and Social Care Levy will be introduced from 6 April 2022 via an increase to National Insurance Contributions, before becoming a freestanding levy from 6 April 2023.
- From 6 April 2022, the tax rates on dividends will also increase by 1.25%. The first £2,000 of dividends received by individuals in each tax year is taxed at 0% but over and above that, the basic rate of dividend tax will increase to 8.75%, the higher rate will increase to 33.75% and the additional rate increases to 39.35%.

Key changes for businesses

- It is currently the case that most corporate and unincorporated business are able to utilise a £1m Annual Investment Allowance (AIA) to claim 100% tax relief on their qualifying expenditure on plant and machinery (and fixture, fittings and equipment etc.) The AIA was previously £200,000 and was due to revert back to that level on 1 January 2022. However, the Chancellor announced that the £1m annual allowance will be retained until 31 March 2023.
- Amongst other changes to the business rates system, a new temporary business rates relief for England was announced for eligible retail, hospitality and leisure properties for 2022/23. Over 90% of retail, hospitality and leisure businesses will receive at least 50% off their business rates bills in 2022/23.
- It had already been announced that the Making Tax Digital (MTD) regime for income tax purposes was to be delayed until 6 April 2024 and the proposed reforms to basis periods is also now planned to come in to effect from the same date. The MTD regime is based on businesses and landlords with income of more than £10,000 being required to maintain their accounting records in a specified digital format and submit extracts from those records regularly (likely quarterly) to HMRC. The basis period reforms will mainly affect those unincorporated businesses that do not already draw up annual accounts to 31 March or 5 April each year. The transition to the new rules is planned to take place in the 2023/24 tax year, with the rules fully in force from 6 April 2024 onwards.
- As announced by the Chancellor at the Spring Budget earlier this year, the main rate of Corporation Tax will remain at 19% until 1 April 2023 but will then increase to 25% for companies with profits over £250,000. From 1 April 2023, the 19% rate will become a 'small profits rate' payable by companies with profits of £50,000 or less and companies with profits between £50,001 and £250,000 will pay tax at a rate between 19% and 25% on a gradual sliding scale.
- From April 2023, Research & Development (R&D) Tax Relief will be extended to include data and cloud accounting costs. Plans to target abuse and improve compliance with the R&D regime will be published later in the Autumn.

Further details of the various announcements in the Budget are included in our 2021 Autumn Budget Report publication, which is also available on our website or by contacting one of our offices.

The above is for general guidance only and no action should be taken without obtaining specific advice.

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