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Earlier this week the Chancellor delivered the most eagerly anticipated Budget in years.

The headline announcements are:

- **Corporation tax will increase from 19% to 25%** from 1 April 2023 for companies with profits exceeding £250,000. The current rate of 19% will remain for profits up to £50,000 with a marginal rate of 26.5% applying to profits between £50,000 and £250,000.
- With effect from 1 April 2021 **a super-deduction will provide allowances of 130%** on most new plant and machinery purchases by companies. This relief will mean a reduction in the company's tax liability of just under 25% (the saving being 19% of the 130% deduction). There will also be a 50% first year allowance for assets that fall into the special rate pool. The super-deduction and the first year allowance will both end on 31 March 2023. 100% tax relief for zero-emission cars and vans has also been extended by four years.
- **Loss carry back has been extended from the current one year to three years** for both companies and unincorporated businesses. This will apply to trading losses made by companies in accounting periods ending between 1 April 2020 and 31 March 2022 and by unincorporated businesses in tax years ending 5 April 2021 and 2022. A carry back by companies would lead to a tax rebate at 19% versus 25% relief if the losses are carried forward instead.
- **The furlough scheme will be extended** to the end of September 2021. Employees will continue to receive 80% of their salary for hours not worked until

the scheme closes, but from July 2021 employers will be asked to make a contribution of 10%, rising to 20% in August 2021 and September 2021.

- **The self-employment income support scheme ('SEISS') will also be extended** with a fourth grant designed to cover the period from February 2021 to April 2021, with payment of up to 80% of three months' trading profits capped at £7,500. Claims will open from late-April. There will then be a fifth grant covering May 2021 to September 2021 of up to three months of average profits. The grant level will reduce to 30% if a claimant's turnover has fallen by less than 30%. Self-employed taxpayers who filed their 2019/20 tax returns before midnight on 2 March 2021 will be eligible to apply for the grants.
- **The 5% reduced rate of VAT in the hospitality and tourism industries has been extended** until 30 September 2021. A 12.5% rate will then apply for a further six months until 31 March 2022. The reduced rate applies to business including pubs, coffee shops, as well as staycations and tourist attractions. This will mean the UK will have 4 rates of VAT for the first time since the 1970s.
- **The pensions Lifetime Allowance will remain** at its current level of £1,073,100 until April 2026, removing the usual annual incremental rises. However, this was the only announcement on pensions with no move to change the current position on tax relief, which will be a relief for many higher rate taxpayers.
- A number of **other allowances and bands will be frozen until 2026** including the personal allowance, higher rate income tax threshold, NIC thresholds, Capital Gains Tax annual exemption, Inheritance tax nil rate band and VAT registration threshold.
- Against expectations there were **no changes announced to Capital Gains Tax** rates or allowances.
- A **Recovery Loan Scheme** will run from 6 April 2021 until 31 December 2021, providing loans and other types of finance up to £10 million over six years. A business will need to show that it is a viable business and has been impacted by COVID. The Government will guarantee 80% of the loan and no personal guarantees will apply for loans of up to £250,000.
- **The nil rate stamp duty land tax on sales up to £500,000 will remain** in place for a further three months and will end on 30 June 2021. The threshold will be reduced to £250,000 until 30 September 2021 before returning to its usual level of £125,000 from 1 October 2021.

- **The 100% business rates relief for eligible hospitality, retail and leisure businesses in England will continue** for a further three months to 30 June 2021. Following this there will be a further six-month period to 31 December 2021 where rates will be two-thirds of the normal charge, up to a maximum of £2m for closed businesses.
- **Restart grants** up to £6,000 will be provided in England for non-essential retailers and up to £18,000 for hospitality & leisure businesses.
- **A new fraud taskforce** backed by £100m of Treasury funding will investigate people who have fraudulently claimed under the furlough scheme, SEISS and loan schemes including Bounce Back loans.

Please click the link below to access our full Budget report;

https://bb264bee-4e45-4129-ad44-a015d0d97af0.filesusr.com/ugd/007cb1_895a1bacd8224350b105aeae37b96867.pdf

The Team at Allens



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