

Spring Budget Statement – March 2021

As we head toward the anniversary of the initial Lockdown period for the UK, the Chancellor took the opportunity to highlight just how much Coronavirus has cost the UK Economy. Citing unprecedented debt levels, the Chancellor confirmed that the Government would be borrowing a peacetime record of £355Bn, recognising that it will take decades to manage this sort of debt.

Yet, he was also keen to emphasise that this didn't mean that the debt should not be tackled or that support for those affected by the Virus should stop. The Government has already announced the continuation of the Furlough scheme through to the end of September, along with the £20 increase in Universal Credit and continued support for the Self-employed. As we continue the slow 'roadway to recovery', this is to be welcomed.

There was one major tax announcement, and it was quite significant for business. Corporation Tax will see a big increase, but only from 2023/24 and only for those firms making profits in excess of £250,000. Firms earning profits less than that may see a smaller increase or even no increase at all if profits are low enough. Whilst an increase was expected, the size of the increase was not and has caused much discussion. However, we emphasise again that this increase does not happen for another two years.

Another way to increase tax revenue is simply to freeze tax allowances and this happened across many allowances that affect individuals. As wages or assets rise, so it is more likely these increases will be taxed. The benefit of this to the Chancellor is that he can confidently announce that nobody will see a reduction in take home pay. Freezing allowances across both income and investments will raise significant revenue.

Finally, there was some good news for those buying a house as the Stamp Duty holiday has been extended.

Full details of what Personal Finance changes were made are attached.

Spring Budget 2021: Key Points for Savers & Investors

Income tax

Personal Allowance increases to £12,570 and the threshold above which higher earners start paying 40% tax also increases to £50,270.

However, these allowances have then been frozen at these levels until 2025/26.

Pension changes

Standard lifetime allowance

The standard lifetime allowance for pensions will remain at £1,073,100. This level has also been frozen until 2025/26.

Annual Allowance

There are no changes to pension annual allowances (AA). The standard AA remains at £40,000 and the high income AA taper rules also remain unchanged.

Individual Savings Account (ISA)

The ISA annual subscription limit for 2021/22 will remain unchanged at £20,000.

Capital Gains Tax

The capital gains tax allowance will remain at £12,300 and is frozen at this level until 2025/26.

Inheritance Tax

Inheritance tax rates and exemptions

The IHT Nil Rate Band will remain frozen at £325,000 until 2025/26. The Residence Nil Rate Band also remains frozen at £175,000 until 2025/26.

General Tax issues

Corporation Tax is increased to 25% from 2023/24 for Companies that make profits in excess of £250,000. Companies that make profits of less than £50,000 will maintain a Corporation Tax rate of 19%. Those companies that make profits between these two levels will pay a Corporation Tax Rate that is somewhere between these two rates, but that rate has yet to be announced.

National Insurance Contribution Tax threshold increases to £9,568.

Stamp Duty Holiday

The level at which Stamp Duty on house purchases is payable was increased from £125,000 to £500,000 last year. This Stamp Duty 'holiday' was due to end on March 31st 2021 and has now been extended until June 30th 2021. It will then be reduced to £250,000 and won't go back to £125,000 until September 30th 2021.

If you would like to discuss your current financial planning arrangements in light of any of these changes to make sure you are maximising the opportunities now available to you, please do not hesitate to contact us.