
THE BUDGET, SPRING 2021

Yesterday, Rishi Sunak announced a budget to extend economic support and promote recovery, in the face of the COVID-19 pandemic, whilst warning of the need to repair the public finances.

There were items that are likely to be of particular interest to cultural organisations, including museums and heritage bodies, and to charities with staff and business premises. There was also a set of more general provisions, such as alterations to corporation tax, that all charities need to note. There was useful confirmation of the position with Inheritance Tax and Social Investment Tax Relief, and development of support for regions, especially as the withdrawal of EU funding takes effect.

Disappointingly, what wasn't included in the budget was any expansion of the £750m charity support package. There was no temporary increase in Gift Aid, despite calls from the sector. There was also little investment in a green recovery.

Looking at the announcements in detail, firstly there was a raft of measures broadly aimed at protecting jobs and livelihoods. These included:

The Coronavirus Job Retention Scheme was extended by 5 months to September 2021 across the UK, providing employees with 80% of their current salary for hours not worked. Employer contributions will be required from July, initially at 10%, then at 20% from August. (Paragraph 2.14)

The UK wide, **Self-Employment Income Support scheme** was also extended to September 2021, with 600,000 more people who filed a tax return in 2019-20 now able to claim for the first time. A grant can be claimed from late April to cover February-April (up to a cap of £7,500, worth 80% of 3 months average trading profits); a final grant can be claimed from late July, covering May-Sept, with the grant determined by a turnover test. (Paragraph 2.15 and 2.16)

Income tax exemptions for COVID-19 tests and home office expenses - Extended to the 2021-22 tax year. (Paragraph 2.17)

A number of **welfare announcements** were made (see paragraphs 2.18-2.24) including a six-month extension of the temporary £20 a week increase in Universal Credit allowance and a relaxation in working tax credit hours.

Investments in **training and apprenticeships** (see paragraphs 2.29-2.31).

Assistance in the form of the **Recovery Loan Scheme**, a new guarantee for lenders of 80% on eligible loans between £25k and £10m (paragraph 2.42) and Restart Grants offering funding in England for non-essential retail businesses, hospitality, accommodation, leisure, personal care and gym businesses. (Paragraph 2.43)

VAT reduction for the UK's tourism and hospitality sector - The government will extend the temporary reduced rate of 5% VAT for goods and services supplied by the tourism and hospitality sector until 30 September 2021. A 12.5% rate will apply for the subsequent six months until 31 March 2022. (Paragraph 2.46)

Business rates - The government will continue to provide eligible retail, hospitality and leisure properties in England with 100% business rates relief from 1 April 2021 to 30 June 2021. This will be followed by 66% business rates relief for the period from 1 July 2021 to 31 March 2022, capped at £2 million per business for properties that were required to be closed on 5 January 2021, or £105,000 per business for other eligible properties. (Paragraph 2.47)

Contactless payment card limit - Single contactless payments up to £100, and cumulative contactless payments up to £300, will be permitted without requiring the use of chip and pin. (Paragraph 2.54)

The Chancellor announced **funding for a number of sectors**:

- £475k funding for Armed Forces charities to support digital and data strategies (Paragraph 2.37)
- £10 million to support veterans' mental health needs across the UK (Paragraph 2.38)
- £19 million to tackle domestic abuse in England and Wales, with funding for a network of 'Respite Rooms' to support homeless women and a programme to prevent reoffending. (Paragraph 2.39)
- The Zoo Animals Fund will be extended another 3 months, to end of June 2021.
- £300m extension to the Culture Recovery Fund to support key national and local cultural organisations. (Paragraph 2.56)
- £90 million funding to support government-sponsored national museums in England due to the financial impact of Covid-19. (Paragraph 2.57)
- £300 million for major spectator sports, supporting clubs and governing bodies in England as fans begin to return to stadia. (Paragraph 2.59)

Tax allowances and rates

Inheritance tax nil-rate bands will remain at existing levels until April 2026. The nil-rate band will continue at £325,000; the residence nil-rate band will continue at £175,000, and the residence nil-rate band taper will continue to start at £2 million. Qualifying estates can continue to pass on up to £500,000 and the qualifying estate of a surviving spouse or civil partner can continue to pass on up to £1 million without an inheritance tax liability. (Paragraph 2.73)

Income Tax and NICs - income tax Personal Allowance and income tax higher rate threshold will rise as planned (to £12,750 and £50,270 respectively) from April 2021 and will remain at this level until April 2026. (Paragraph 2.74) The same will apply to NICs thresholds. (Paragraph 2.75)

Corporation tax - to balance the need to raise revenue with the objective of having an internationally competitive tax system, the rate of corporation tax will increase from April 2023 to 25% on profits over £250,000. The rate for small profits under £50,000 will remain at 19% and there will be relief for businesses with profits under £250,000 so that they pay less than the main rate. The Diverted Profits Tax rate will rise to 31% from April 2023 so that it remains an effective deterrent against diverting profits out of the UK. (Paragraph 2.81)

Registered Office: Wren House | 68 London Road | St Albans | Herts | AL1 1NG
Phone 01582 762 441 | first@craigmyle.org.uk | www.craigmyle.org.uk



VAT registration threshold: will remain at £85,000 until 2024. (Paragraph 2.91)

Review of tax administration for large businesses – discussions will be initiated with businesses, advisers and stakeholders over the coming months considering improvements as HMRC continues to progress its 10-year Tax Administration Strategy and wider Tax Administration Framework Review. (Paragraph 2.92)

Targeted funds were announced, to spread invest across every part of the UK including:

- £4.8m **Levelling Up Fund** prospectus launch (investing in infrastructure that improves everyday life across the UK, including town centre and high street regeneration, local transport projects, and cultural and heritage assets.) Priority places have been identified based on an index of local need. See paragraph 2.119.
- £220m **UK Community Renewal Fund** prospectus launch to support UK communities in 2021-22 to pilot programmes/new approaches as the government moves away from the EU Structural Funds model and towards the UK Shared Prosperity Fund. Funding will be allocated competitively. Priority places have been identified based on an index of local need. See paragraph 2.123
- £150m **Community Ownership Fund** - from the summer, community groups will be able to bid for up to £250,000 matched funding to help them to buy local assets (like pubs, sports clubs, theatres and post office buildings) to run as community-owned businesses. In exceptional cases up to £1 million of matched funding will be available to help establish a community-owned sports club or buy a sports ground at risk of loss from the community (Paragraph 2.124)

Social Investment Tax Relief extension – the government will continue to support social enterprises in the UK that are seeking growth investment by extending the scheme to April 2023. (Paragraph 2.148)

R&D tax reliefs – the government will carry out a review of R&D tax reliefs, with a consultation published alongside the Budget. (Paragraph 2.149)

HM Treasury document can be seen at this link:

<https://www.gov.uk/government/publications/budget-2021-documents>

Please note: *This bulletin is published as a general guide to the 2021 Spring Budget and not intended to replace specific professional advice from, for example, a solicitor or accountant. You should always refer to the official websites shown above for further information. Craigmyle consultants take no responsibility for the correctness or completeness of information or interpretation given here.*

Registered Office: Wren House | 68 London Road | St Albans | Herts | AL1 1NG
Phone 01582 762 441 | first@craigmyle.org.uk | www.craigmyle.org.uk

