Individuals, Trustees and Personal Representatives

March 2021

Briefing Note

We all knew that it was highly unlikely to be a Budget full of tax increases – well not just yet anyway. As the country remains in lockdown but with a hope of a return to normality on the horizon, it was a Budget full of support measures with some planned increases being cancelled. And on first reading, there don't appear to be any unwelcome surprises.

Quite the contrary...

Overview...

- No Increase in Headline taxes until April 2026
- Furlough extension to 30 September
- Stamp duty exemption extended
- Self-employed income support grants available

Further support for individuals and businesses alike. There are no increases in the headline taxes until April 2026 – so no increases to income tax, capital gains tax, inheritance tax or national insurance. The lifetime limit for pensions is also frozen. As is the inheritance nil rate band meaning assets up to a value of £325k per person are exempt from inheritance tax.

The furlough scheme is extended until 30 September, the £20 Universal Credit uplift will continue for a further 6 months and no increases in alcohol or fuel duties.

The current stamp duty exemption for properties up to £500k is being extended to 30 June, with a reduction in the exemption to £250k from between 1 July – 30 September with a return to the usual exemption level of £125k from 1 October. In addition, from next month Government-backed 95% mortgages will be available to help people onto the property ladder. No doubt a welcome measure for buyers, sellers and estate agents alike.

The furlough scheme has been extended to...

September 30th

Stamp duty exemption on properties up to £500K extended to 30 June

Goverment-backed 95% mortgages now available

4th and 5th self-employed income support grants available...

80%

Paid out on trading profits

A very welcome announcement is the extension to the self-employed income support grants where there will be a 4th and 5th grant available, paying out a maximum of 80% of trading profits. In a change from the original scheme, those who were newly self-employed in the tax year to 5 April 2020 are also now able to make a claim providing they had submitted their tax return for the year to 5 April 2020 by 2 March. In addition, those experiencing less of a hit on their profits will not be able to claim the full grant.

There is also a beneficial temporary extension to how and when tax relief for trading losses can be claimed for the self-employed, which will increase the availability of tax refunds. For trading losses incurred in 2020/21 and 2021/22 the carry back has been extended to three years.

Other changes coming in that had previously been announced are the IR35 rules for the private sector. These changes were delayed from April 2020 but are still going ahead from 6 April 2021. The IR35, or "off-payroll working" rules, apply to Individuals supplying their services through an intermediary, such as their own personal service company (PSC), and who would be deemed to be employed if they were engaged by the client directly. These changes shift responsibility for determining whether the rules apply, and therefore the potential liability for getting it wrong, from the PSC to the client. This shift happened for organisations operating in the public sector in 2017 and is now being extended to large and medium-sized organisations in the private sector, with the aim of increasing compliance with the legislation. If the experience in the public sector is replicated in the private sector, this could lead to an increased reluctance of contracting with PSCs.

So what does this all mean for individuals, personal representatives and trustees? There have been rumours of changes to the capital gains tax and inheritance tax regimes for a couple of years – mainly driven by both Government and independent reviews. The Government recently announced a tax consultation and call for evidence day on 23 March where it is expected that further reviews of these areas will be considered. For now, though, it would appear that the current rates will continue until April 2026. As for when we may see any new rules or maybe the overhaul of capital gains tax and inheritance tax, that remains to be seen.

Our team are on-hand to help with any questions that you may have following this year's budget, contact us today!

Start the Conversation Today...

Contact your BHP account manager or one of our tax specialists.

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