

Last March, unprecedented times called for unprecedented measures, with the government announcing a raft of financial support packages to help both businesses and individuals as the Covid-19 pandemic hit our shores. Whilst these measures helped many businesses stay afloat, this has come at a great cost to the Treasury.

Fast forward to yesterday, when it was feared that the Chancellor, Rishi Sunak, was going to begin balancing the books by simultaneously tapering business support and increasing taxes.

However, the Budget that the Chancellor delivered highlighted that we are still in the emergency phase of the pandemic, with the focus on securing an economic recovery and ensuring stability rather than clawing back some of the billions already spent since the start of the crisis.

Not only were we given a reprieve from significant tax hikes, there was also a fresh package of measures for businesses and individuals which will, hopefully, see us through the pandemic.

So, no changes to Capital Gains Tax or Inheritance Tax. Tax relief is still available at higher rates for pension contributions. There are, however, freezes on allowances and nil rate bands.

Where Boris Johnson unveiled his “roadmap” out of lockdown restrictions last week, Rishi Sunak, has announced his “roadmap” for rebuilding the economy. Is it enough? Does it only paper over the cracks? Only time will tell.

The detail of yesterday’s announcements is set out below, which we hope you will find helpful.

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Chancellor Rishi Sunak delivered his Spring Budget yesterday promising that now was too soon to turn off the Covid support that individuals and businesses had relied on during the last year, as this was the fair thing to do. However, he pointed out the pandemic’s immense damage to the UK economy with 700,000 job losses since March 2020 and the biggest drop in economic output in 300 years.

To address this he committed to three steps:

- 1) To continue to do whatever it takes to support British people and businesses throughout the crisis;
- 2) To fixing the public finances once we are on a road to recovery from the pandemic, and;
- 3) To building our future economy.

Office for Budget Responsibility (OBR) growth forecasts

Due to measures that the government has already taken, the OBR is forecasting, “A swifter and more sustained recovery” than it previously forecasted in November. In its latest forecasts the OBR predicts that the UK’s economic output will return to the pre-Covid level by the middle of 2022, a full six months earlier than previously forecast. Even so, the OBR forecast that in 5 years’ time our economy will be 3% smaller than it would otherwise have been.

Growth

The OBR latest forecast shows the UK economy growing by 4% this year, by 7% in 2022, by 1.7% in 2023, by 1.6% in 2024, and then by 1.7% for the next three years.

Support for the employed, self-employed and low earners

To assist in the protection and creation of new jobs the Chancellor announced the following:

- The Furlough Scheme (Coronavirus Job Retention Scheme (CJRS)) has been extended until the end of September with no changes to the amount that furloughed employees will receive. This will continue

as 80% of salary paid by the government for hours not worked. However, from July, the government will ask businesses for a 10% contribution which will increase to 20% in August.

- Support for self-employed individuals will also continue until the end of September 2021. The fourth grant will cover February to April and provide 3 months financial support at 80% of a business's annual trading profits. A fifth and final grant will cover the period from May onwards. The system for claiming the fifth grant will open in late July. However, as the economy opens up, there will be targeted support where it is needed most. Businesses with a fall in turnover of more than 30% can continue to receive 80% of the grant. However, businesses with less than a 30% drop in turnover will only receive a 30% grant. As long as you have filed a 2019/20 tax return by midnight on the 2 March, you will be eligible to apply for the fourth and fifth grants, providing you can demonstrate your business has been adversely affected by the pandemic. The Chancellor said that this now enabled another 600,000 individuals to make claims.
- To support those in lower income households and the most vulnerable in society the Universal Credit uplift of £20 per week will continue for a further 6 months. Working Tax Credits will also benefit from the same equivalent support together with a one-off payment of £500.
- The National Living Wage (NLW) will increase from April to £8.91.
- Other previously announced initiatives including the Restart Programme, the Kick-Start Scheme and the Lifetime Skills Guarantee will continue along with a promise to double up work coaches. The Chancellor also announced a doubling of the Apprentices incentive to £3,000 for any business to take on any new apprentice, regardless of their age.

Care for the vulnerable

- Due to the rise in cases of domestic abuse during the pandemic, the government will provide an additional £19m to the already committed £125 million to provide respite rooms for women's refugees.
- £10m to support veterans with mental health issues.
- Victims of the Thalidomide scandal will see a lifetime commitment to extending financial support beyond 2023, together with a £40m down payment.

Help for businesses

- A new Restart Grant will be available in April to help businesses reopen and get going again. Non-essential retail businesses will receive £6,000 per premise. Businesses in the hospitality, leisure and personal care sectors, who will open later and face higher restrictions once they do, will be able to claim up to £18,000 in grants.
- £700m for the Arts, Culture and Sporting institutions including backing for a joint UK and Ireland World Cup in 2030.
- An extension to the £500m Film & TV production Restart Scheme.
- A new Recovery Loan Scheme will launch in April and will replace the Bounce Back Loans and CBILS (Coronavirus Business Interruption Loan Scheme). This will allow businesses of any size to apply for loans from £25k up to £10m through to the end of this year. The government will provide an 80% guarantee for these loans.
- Business Rates for the Retail, Hospitality & Leisure sectors will be extended at the 100% rate until the end of June and, for the remaining nine months of the fiscal year, will be discounted by 2/3rds.
- The 5% reduced rate of VAT for this sector will also be extended for a further 6 months until the end of September 2021. Thereafter, there will be an interim level of 12.5% for a further 6 months before returning to the standard 20% rate in April 2022.

Stamp Duty Relief/Help for Home Buyers

- The £500,000 Nil Rate band introduced last summer has been extended until the end of June 2021. Thereafter, the Nil Rate band will be set at £250,000 until the end of September before returning to the previous £125,000 Nil Rate band level from 1 October 2021.
- A new policy is being established to help homeowners with only a 5% deposit to turn "Generation Rent into Generation Buy". The new Mortgage Guarantee Scheme will provide 95% mortgages and will be available from key lenders from April, with more lenders to get on-board soon.

OBR debt forecasts

Chancellor Rishi Sunak announced that the cost of Covid initiatives for last year, this year and into next year will amount to a total spending of £407bn. He said that Covid had caused one of the largest and sustained economic shocks this country has ever faced, and it will take many years and many governments to address the economy.

The OBR forecast that in 2022 the debt will be £234bn or 10.3% of GDP. Thereafter, the OBR forecasts debt as a percentage of GDP at 4.5% in 2022/23, 3.5% in 2023/24, 2.9% in 2024/25 and 2.8% in 2025/26.

The Chancellor warned that whilst interest rates are currently very low just a 1% increase in rates would create a further £25bn of debt. He warned that whilst it was irresponsible to withdraw Covid support too soon, that it was also irresponsible not to address our debt and level of borrowing.

He outlined his steps in three key measures:

- 1) That the State should not, in normal circumstances, be expected to pay for everyday public spending;
- 2) That he could not allow borrowing to increase, and;
- 3) That whilst interest rates are low that the government should invest in key capital projects to build future growth.

Key steps announced

- The personal income tax basic allowance will increase to £12,570 from 6 April 2021, as planned. It will then stay at that level until 2026.
- The higher rate threshold will also go up to £50,270 and remain at that rate until April 2026.
- Inheritance Tax thresholds, Pension Lifetime Allowances and the Annual Exempt Allowance for Capital Gains Tax will also be frozen until April 2026.
- The VAT Registration level of £85,000 will remain frozen until April 2026.
- To tackle Covid fraud a new £100m HMRC Task Force with over 1000 investigators and further investment promised to tackle tax avoidance and evasion.
- Corporation Tax - the amount paid on profits will increase to 25% in April 2023 but will still be the lowest of all G7 nations. However, to protect small businesses with profits of £50,000 or less, there will be a new Small Profits Rate of 19%. This means that 70% of all businesses will be unaffected. A taper will be introduced for businesses with a profit greater than £50,000 meaning that only businesses with profits of £250,000 will pay the full 25% rate from April 2023.
- The government will be making the treatment of losses significantly more generous by allowing businesses to carry back up to £2m for three years.
- A review of the 8% Bank Surcharge to ensure the UK Banking industry remains globally competitive.
- A new UK wide Help to Grow Scheme to help smaller businesses to adapt to change, a need highlighted by the pandemic, by providing a development programme so that business owners can learn more, make more and grow more.
- Help to Grow Digital will provide support to help more businesses to trade online with free expert training and a 50% discount on productivity enhancing software with up to £5,000 each. This new programme will commence by the autumn. To register for the scheme visit: <https://register-help-to-grow-scheme.service.gov.uk/>.

Business Investment – Super deduction

Rishi Sunak argued the need to invest in more businesses to stimulate productivity and create jobs. He acknowledged that whilst some businesses had struggled due to Covid that others had built up significant cash reserves and therefore investment by those who could afford to should be encouraged.

- The Chancellor announced a new “Super Deduction” of 130% tax relief on the purchase of new plant and machinery, and 50% on integral features, for expenditure between 1 April 2021 and 31 March 2023. The OBR stated that this would boost business investment by 10%, around £20bn more business investment per annum lifting us from 30th to 1st in the rankings of the OECD (the Organisation for Economic Co-operation and Development).

Duty

- Duty for spirits, wine, cider and beer are all frozen.
- Fuel Duty also frozen for another year.

Investment in the Green Economy

- The Chancellor announced the launch of the first UK Infrastructure Bank which will be located in Leeds and which will provide funding across the UK for private and public green projects. This will start in spring of this year with a capital injection of £12bn and will be expected to support £40bn of total investment in green infrastructure.

- Funding for new port infrastructures to build new offshore wind projects will take place in Teesside and Humberside.
- In November 2020, the Chancellor announced the new world leading Sovereign Green Bond. Today he announced a new Retail Savings Product to provide all UK savers the chance to support green projects.
- A new updated Monetary Policy for the Bank of England to reflect the importance of sustainability and transition to Net Zero.

Scientific Superpower

- The government is providing a further £1.6bn today to continue the rollout of Covid vaccines and improve our future preparedness.
- In addition, he is launching two wide-ranging consultations to make sure that UK research & development tax reliefs and enterprise management incentives are internationally appealing.
- Drastic visa reforms to be put in place to speed up the application process and to encourage the best and most promising international talent in areas including science, research and technology.

Capital investment

- In order to stimulate more capital investment the government will give the pensions industry more flexibility to unlock billions of pounds from pension funds to fund innovative ventures.

Local measures

- Whilst the measures announced today apply to all four areas of the UK, Mr Sunak announced some other measures for the devolved parliaments and for local measures. These include:
 - Three accelerated Scottish city specific deals in Scotland and three deals for Wales.
 - The Treasury will establish a new economic campus in Darlington.
 - Over £1bn to be provided for 45 new Town Deals.
 - £410m for the Northern Ireland Executive.
 - A new £150m fund for local communities to take local ownership of local pubs and clubs, theatres, shops and local sport clubs at risk of closure.
- The government are now inviting applications for the first Levelling-Up funds.

Free Ports

Free Ports are special economic zones with special rules, making it easier and cheaper to do business. The government announced that the UK is to create eight new Free Ports in England which would benefit from:

- Simpler planning.
- Infrastructure funding to improve transport links.
- Cheaper customs with favourable tariffs, VAT or duties and;
- Lower taxes with tax breaks to encourage construction by private investors and so create more jobs.

These Free Ports will be located at East Midlands Airport, Liverpool, Felixstowe & Harwich, Humber, Plymouth, Solent, Thames and Teesside.

Please note:

Our update is designed to provide an overview of the Spring Budget 2021 and should not be solely relied upon in making any personal or business decisions. Many of these details contained herein should therefore only be used for guidance purposes and the help of a professional sought who will consider your own unique circumstances and the best approach for you. For more help please contact your local MFW office <http://bit.ly/MFWGetintouch>.