

The background of the slide features a close-up, slightly blurred image of a Canadian dollar coin in the foreground on the right, showing the word 'CANADA' and the word 'PO' (part of 'POLYMER'). In the background, a US dollar bill is visible, showing the number '5' and some of the bill's design. The overall color palette is warm and muted, with soft lighting.

Budget Highlights

2021

Suttons
Independent Financial Advice



The Budget 2021 – All You Need to Know

After a year of Covid-19 restrictions, the 2021 Budget had a lot of ground to cover. There has been considerable speculation over how the extra expense of the furlough scheme, funding the NHS and supporting those out of work would be paid for.

It was also questionable whether the current package of support for individuals and businesses could be sustained.

So what are the plans for recovering from the pandemic and rebuilding the economy?

These are the main points to note from this year's Budget announcement.

The Economy

- The UK economy shrank by 10% in 2020, with the loss of around 700,000 jobs.
- The rate of unemployment is expected to reach 6.5% by 2022, which is a more optimistic projection than previously suggested.
- Economic recovery is predicted, with growth of 4% likely in 2021, and a return to pre-pandemic 'normality' by the middle of 2022.
- The UK is expected to borrow approximately £355 billion this year, the highest ever level since World War II. However, total borrowings should reduce to £234 billion by 2022.

Covid-19

- The furlough scheme is to be extended until September 2021.
- The government will cover 80% of wages, however, employers will be expected to contribute 10% from July and 20% from August.
- The scope of support for self-employed people will be increased, with a further 600,000 individuals qualifying for support. This will also be available until September.



Personal Tax

- No major changes have been announced regarding personal tax.
- The personal tax-free allowance will increase from £12,500 to £12,570 and the higher rate tax threshold will increase from £50,000 to £50,270.
- From 2022, the personal tax-free allowance will be frozen at a level of £12,570 for three years.
- The higher rate tax threshold will be frozen at £50,270 over the same period.
- These two changes are expected to push more people into higher rates of tax, assuming earnings continue to rise. This has been referred to as a 'stealth tax.'
- There will be no changes to Capital Gains Tax or Inheritance Tax.

Pensions

- The standard lifetime allowance will be frozen at £1,073,000 up to and including tax year 2025/26. This would have otherwise been expected to increase by CPI each year, and so was expected to increase to £1,078,900 in the next tax year.
- No other changes have been announced regarding pensions.

Business

- The most significant tax increase of the Budget applies to Corporation Tax. Most companies will see their rate of tax increase from 19% to 25% by 2023.
- This is a considerable reversal from the previous plans to reduce Corporate Tax to 17%.
- Smaller businesses will not be affected, providing their profits are under £50,000.
- A 'super-deduction' has been announced for businesses. This means that whenever businesses invest in order to grow, they can offset 130% of the cost against their tax bill. This will apply for the next two years and could potentially unlock around £20 billion of business investment in the UK economy. The Chancellor has referred to this as 'the biggest business tax cut in British history.'
- The Business Rates holiday will continue until June, with a 75% discount thereafter. Currently this has been announced for England only.
- A Restart Grant of £5 billion has been announced to help shops and other businesses which have been forced to close during the pandemic.
- £400 million has been promised to support the re-opening of museums, galleries and theatres.
- £300 million has been set aside to help with the recovery of professional sport.
- £150 million has been granted to community groups to take over pubs that would otherwise close.
- Gyms, salons, hospitality and leisure businesses will benefit from a one-off payment of £18,000 to assist with re-opening costs.
- Other non-essential businesses will receive £6,000.

Work and Benefits

- Minimum wage will be increased to £8.91 per hour from April 2021 (from £8.72).
- Universal Credit claimants will continue to receive the temporary £20 per week uplift that was granted in the early days of the pandemic.
- Anyone claiming Working Tax Credits will receive a single payment of £500.

Health and Social Care

- £1.65 billion has been earmarked for the UK's vaccination programme.
- £40 million has been set aside for victims of the 1960s Thalidomide scandal.
- £19 million has been pledged to support domestic violence victims and homeless women.
- £10 million is being made available to armed forces personnel requiring mental health support.





Shopping and Leisure

- VAT on hospitality services will be frozen at a rate of 5% until September 2021.
- This will be increased to 12.5% for six months thereafter, still reduced from the standard rate of 20%.
- Contactless payments will be accepted up to a limit of £100.
- Duties will be frozen on alcohol and fuel.

Housing

- A new mortgage guarantee scheme will be introduced. This will allow buyers to purchase properties worth up to £600,000 with a 5% deposit. The government will underwrite the remaining 95%.
- The Stamp Duty holiday will be extended until June 2021, benefiting anyone purchasing a property for less than £500,000.

Technology

- A new Visa scheme will be introduced to help high-growth tech businesses recruit from overseas.



Environment

- £15 billion in 'green bonds' will be introduced to encourage sustainable investment and raise funds for environmentally friendly projects.
- The goal is to reach 'net zero' by 2030. This means offsetting carbon emissions to a neutral level by removing harmful greenhouse gas from the atmosphere.

Infrastructure

- A bank dedicated to UK Infrastructure will be set up in Leeds, aiming to fund £40 billion of projects to benefit the economy.
- Funding for devolved nations has been agreed at a level of:
 - £1.2 billion for Scotland
 - £740 million for Wales
 - £410 million for Northern Ireland
- £1 billion has been set aside for regeneration in certain English towns.
- Eight 'freeports' are planned across England, with further announcements to be made in respect of Scotland, Wales, and Northern Ireland. Any goods arriving into these freeports will not be subject to tariffs until they move elsewhere in the UK. The intention is to boost employment and productivity in these areas.

What Was Not Covered?

- There have been discussions of a wealth tax, with many advocates suggesting this as a viable way to cover some of the costs of the pandemic, and to address inequality. This has not been taken forward by the government, either due to practical concerns or fears it would be unpopular.
- Critics have suggested that the Budget does not go far enough towards rebuilding the economy, supporting social care, addressing child poverty, or funding the NHS.
- While many struggling industries have been offered a lifeline by the latest support announcements, the aviation industry was noticeably absent from the list.

Conclusion

For the second year running, the Budget has been more about spending than saving, which is unusual for a Conservative government. While the Corporation Tax rise will be an unwelcome change for many businesses, it is partly offset by the package of support and incentives designed to help firms recover from the pandemic.

With most areas of personal taxation relatively untouched, it's unlikely that you will need to make any urgent changes to your financial plans or investment strategy.

Please don't hesitate to contact a member of the team if you would like to find out more about this year's Budget and how it affects you.

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