



DY

dykeyaxley
CHARTERED ACCOUNTANTS



Autumn Budget 2021 Update

PRESENTED BY
FRANCESCA HUTCHESON
AND
MARK BRAMALL



TRICK OR TREAT



Overview

Overview

- Introductions
- Budget update
- National and regional economic update
- Tax Tricks and Treats
- Q&A

Trick or Treat?!

- **Trick!** Two Budgets in one year!
- **Treat!** Two DY Webinars in one year!



Autumn Budget 2021



Autumn Budget 2021



Rebecca Benneyworth

@rbeccabeneworth



[#Budget2021](#) instant reaction. Tax lecturers nightmare. Air passenger duty, tonnage tax, alcohol duty, business rates, universal credit. Move along, nothing to see here. Oh ok AIA remains £1 million. That's your lot.

1:42 pm · 27 Oct 2021 · Twitter for iPhone

Cat's out of the bag

- £6.9bn for English city regions to spend on train, tram, bus and cycle projects - including over £4.2m previously announced
- £5.9bn for NHS England to tackle the waiting list backlogs
- National Living Wage increasing to £9.50 per hour from April
- £2.6bn to be spent on creating 30,000 new school places for children with special educational needs and disabilities
- £1.6bn over three years to roll out new T-levels for 16 to 19-year-olds and £550m for adult skills in England
- The last of the pre-Budget leaks...?!

Lucky escapes

- No substantial changes to IHT or CGT
- Pensions tax relief also untouched
- Welcome extension of 30 day reporting for property disposals – increasing to 60 days
- However - inflation may drive more families into IHT payment position if the nil rate band remains unchanged

Capital Allowances

- £1m Annual Investment Allowance extended to April 2023
- Super deduction introduced April 2021
- Temporary measure through to April 2023
- Not so super?
- Broadly 24.7% CT relief on qualifying capex
- Original rules precluded landlords from qualifying
- Late amendment to Finance Bill widened scope
- Savings can be substantial – involve advisors early on!

R&D Tax Relief

- Hugely valuable Corporation Tax relief
- Underpins R&D in the UK
- New products, processes or systems improvement
- 130% uplift on qualifying expenditure for SMEs
- Repayable tax credit for loss-making entities
- Not just software and big pharma!
- 86,000 claims in 2019-20, with a total of £7.4bn in tax relief
- Interaction with Patent Box as CT rates rise

R&D Tax Relief

- From April 2021 SME claims are subject to a repayment cap
- Broadly based on PAYE/NICs
- SMEs with low/no payroll expenditure or group recharges could be caught
- Autumn Budget expanded relief to include cloud computing and data
- But scope narrowed to investment **in** the UK
- From April 2023 investment by a UK company **outside** the UK will no longer qualify for the enhanced tax relief
- Future plans to tackle abuse and improve compliance

Business rates

- Fundamental reform of the regime delayed
- But some sweeteners for property-backed businesses
- Up to £7bn in 'selective' cuts
- 50% discount (capped at £110k) for retail and hospitality
- New investment relief for property improvements
- Planned increase in multiplier cancelled
- But - more frequent valuations

Alcohol duty

- Sensible reforms of a complex system from February 2023
- Stronger the drink, higher the tax
- Further support to hospitality sector
- Big winners – sparkling wine producers
- Relief for draught beer
- Taxes on red wine, sherry and port will increase
- Planned increase in duty cancelled
- A Brexit bonus...?!

Transport and travel

- Fuel duty freeze
- A post-Brexit reform to the Tonnage tax regime
- Air passenger duty for domestic flights to fall
- Fees for extra-long haul flights to increase
- Not likely to sit well with climate change advocates

Plastic Packaging Tax

- 1 April 2022
- Imported into or manufactured in the UK
- <30% recycled plastic
- 10 metric tonne threshold
- £200 per tonne
- Record keeping (even if not liable to register)
- Supply chain review

Penalty Changes

VAT from April 2022

- Late submission
 - Points based
 - Threshold (in table)
 - £200 penalty once threshold is reached
- Late payment
 - No penalty for the first 5 days
 - 2% between day 16 and 30
 - 4% at day 30

Submission Frequency	Penalty Threshold
Annual	2 points
Quarterly	4 points
Monthly	5 points

Other support measures

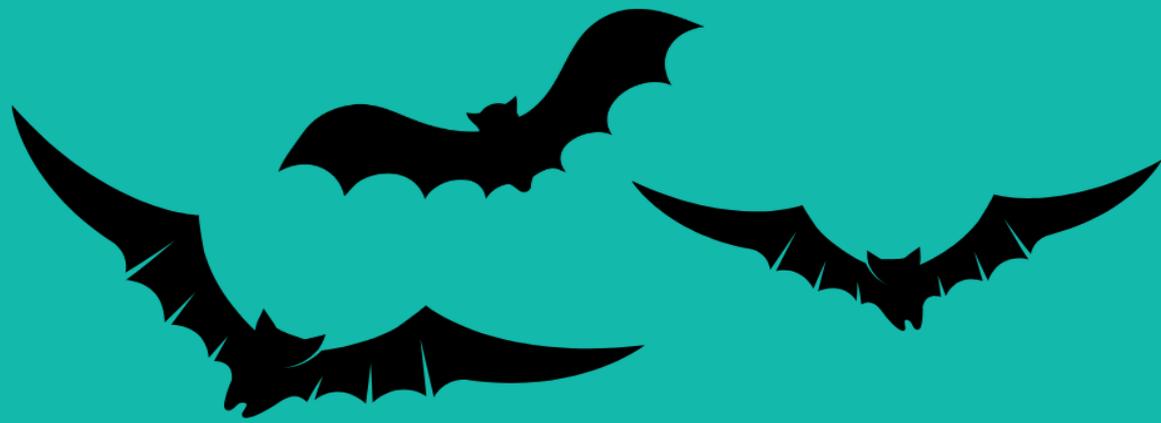
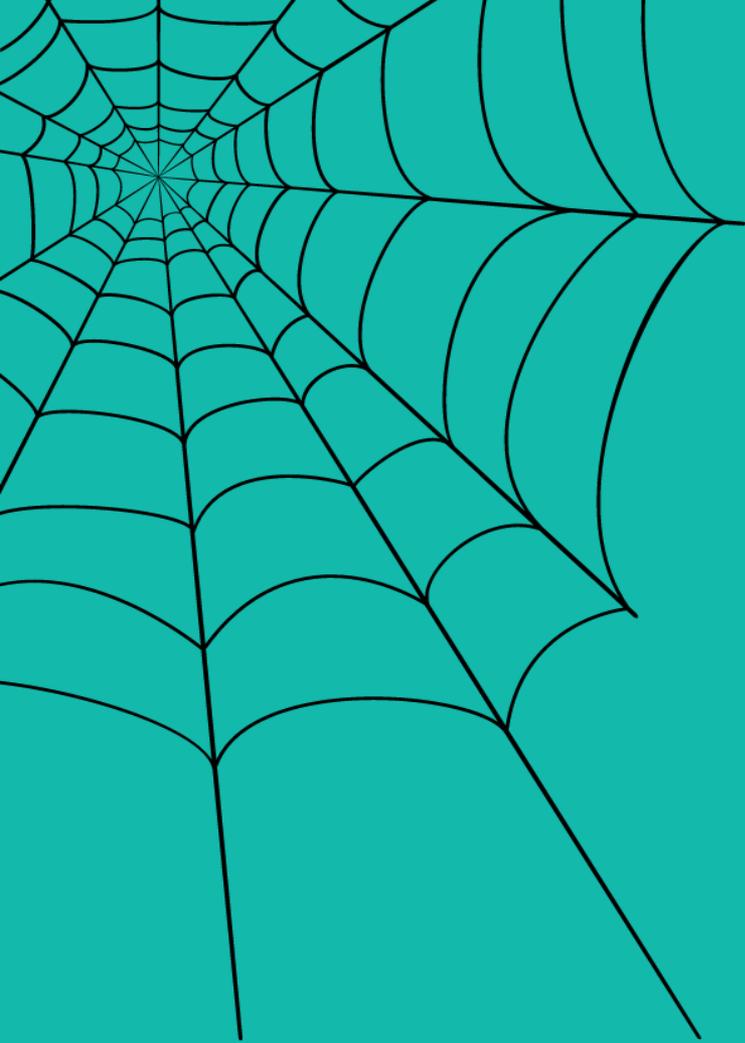
- Tax relief for theatres, orchestras, museums and galleries extended for 2 years, to March 2024
- Up to £2m will be invested in a new Beatles attraction in Liverpool
- Universal credit reform “to make sure work pays” with taper reduced to 55p/£1 by 1 Dec (or sooner)
- Bank Levy cut to 3% so banks pay 28% from 2023

Early warning signs

- R&D - plans to tackle abuse of and improve compliance to be released later in the autumn
- Corporate Re-domiciliation – making it possible for companies to re-domicile and therefore easier to relocate to the UK
- Abolition of Cross-border Group Relief - rules that allow EEA-resident companies to surrender foreign losses as UK group relief in certain circumstances repealed with immediate effect

Diary dates Q4

22 October	Payments due under PAYE settlement agreements for 2020/21
27 October	Autumn Budget and spending review
28 October	Last date to amend CJRS furlough claims – read about correcting CJRS errors
November	Draft Finance Bill 2022 published
17 December	Last date to recruit young workers under the Kickstart Scheme (running to March 2022)
31 December	Last date to make/amend COVID-SSP claims
31 December	Deadline for Recovery Loan applications and Covid-related SSP claims
31 January 2022	Last date to hire an apprentice qualifying for the £3,000 employer grant



National Regional Economic Update

National economic view

- GDP Growth forecast for 2021 now 6.5%
- Inflation 3.1% in September, likely to average 4% over next 12 months
- Real wages could be 3.5% lower in the medium term
- House price rises continue
- Cliff edge



Local economic view

- Businesses on the whole doing well
- Trading at pre-Covid levels or higher
- Revenue's higher, partly due to increase cost of sales
- Adaptive clients making the most of opportunities
- Exhaustion for business owners an increasing concern

Biggest challenges

- Staffing
- Supply of materials / products
- Price rise of materials / products
- Outlook

Business support

- Government supported loans
- Furlough – now ended
- Rates relief in Budget??

Other activity

- M & A very active
- Retirement sales pushed to beat this Budget
- More European interest in UK
- More owners than ever looking to exit

Tax Tricks and Treats



Tax Trick 1

- Increase in main rate of CT
- (haunted by ghost of marginal rate bands)
- 2023 is creeping up on us!
- Group companies – watch out!



Tax Treat 1

- MTD for Income Tax deferred (again)
- Roll-out pushed back to April 2024
- Basis period reform will also not now come into effect before April 2024
- (April 2025 for more complex partnerships)



Tax Trick 2

- MTD for VAT scope widened
- First introduced in April 2019 for businesses with a turnover in excess of the VAT threshold (£85,000)
- Digital links mandatory from 1 April 2021
- Applies to all VAT registered business from April 2022
- Business can register earlier than this date
- Must ensure software is compatible with MTD

Tax Trick 3

- End of furlough Officially ended on 30 September 2021,
- Extended several times over the course of the preceding year
- September claims submitted by 14 October 2021
- Any amendments must be made by 28 October 2021 (TODAY!)



Tax Treat 2

£8,796,420

Tax Treat 3

- DY win at Tribunal for farming client – client case study



Tax Treat 3



Tax Treat 3

- Buildings don't qualify for allowances unless they are on List C
- Is this plant or either a cold store or grain silo under list C
- Did the potato store serve a function of curing the potatoes?
- Semantics:
- Silo is a chamber for the temporary storage of grains or roots
- – is a potato a root?
- - is 6-9 months temporary?
- Cold store needs to be cold – sub zero or maintaining a desired temperature?

Tax Treat 3

- Significant taxpayer win for DY client
- Timescale – enquiry opened June 2016, virtual tribunal February 2021, decision July 2021
- Opportunities for potato and arable farmers
- Involve accountants from the outset of large projects
- Keep records/evidence to show the functions performed
- Take out fee protection!

Tax Trick 4



Tax Treat 4

- Goal is to reduce taxes by the end of this parliament
- Setting the scene for pre-election giveaways
- Watch this space!



Tax Trick 5

- HMRC issuing VAT nudge letters
- Where errors in VAT returns are suspected
 - Similar letters for direct taxes in 2020/21
 - Client should check details in submitted returns and correct any errors as soon as possible
 - May be asked to declare that VAT returns are accurate and free of errors
 - Yet to see one in practice



Q&A



Contact details



Francesca Hutcheson

Tax Director

E: francesca.hutcheson@dykeyaxley.co.uk

T: 01743 241281



Mark Bramall

Director

E: mark.bramall@dykeyaxley.co.uk

T: 01743 241281



1 Brassey Road, Old Potts Way,
Shrewsbury, SY3 7FA
01743 241281

8 Hollinswood Court, Stafford Park 1,
Telford, TF3 3DE
01952 216100

info@dykeyaxley.co.uk
www.dykeyaxley.co.uk



dykeyaxley
CHARTERED ACCOUNTANTS