



SHALCHI & PARTNERS

GUIDE TO

BUDGET STATEMENT 2021

KEY ANNOUNCEMENTS FOR INDIVIDUALS,
BUSINESSES AND EMPLOYERS

What to look out for in your financial plans
for the year ahead



S&P Enquiries and Advisory, The Corn Barn, Upton End Farm Business Park, Meppershall Road, Shillington, Hertfordshire, UK SG5 3PF

Office: +44 (0) 2033 935 920 Email: enquiries@shalchiandpartners.com

SHALCHI & PARTNERS LIMITED is a company incorporated in England and Wales (registered number 11831263) whose registered office is at Curtis House, 34 Third Avenue, Hove, United Kingdom, BN3 2PD. Shalchi & Partners Ltd is authorised and regulated by the Financial Conduct Authority (registered number 841266)

Introduction

Rishi Sunak delivered his second Budget as the rollout of the coronavirus vaccine across the UK gives hope of a return to some degree of normality during 2021.

But while there is light at the end of the tunnel for immediate impact of the Covid-19 pandemic - with a potential end to social distancing restrictions - the economic hangover could be much longer-lasting.

The chancellor of the exchequer has made clear he believes the bills racked up during the pandemic must be paid off

“Our recovery of the Covid-19 pandemic starts today.”

Key announcements at a glance

Jobs

- The furlough and self-employment income support scheme have been extended until the end of September. Furloughed employees will receive 80% of their salary but businesses will be asked to contribute to their wages from the end of July as the recovery gathers pace.
- Self-employed workers will be able claim a fourth grant from the Self-Employed Income Support Scheme worth 80% of three months' trading profits at up to £7,500. The newly self-employed in the 2019-20 financial year will now also be able to receive the payments. A fifth grant will also be available.
- The Treasury has also already confirmed extra funding for apprenticeships with a cash incentive to take on apprentices boosted by £1,000 to £3,000 per hire.
- The Chancellor has extended the £20 boost to weekly Universal Credit payments for a further six months.

Taxes

- Corporation tax will rise from 19% to 25% in April 2023 but Mr Sunak said the UK will still have the lowest rate in the G7.
- However, small firms with profits under £50,000 will still enjoy the lower 19%



corporation tax rate. Only 10% of companies will pay the full higher rate, the Chancellor said.

- Mr Sunak also announced a new “super deduction” - a tax relief to spur business investment. The Treasury expects the relief - which will cut taxes by 25p for every pound invested - to be worth £25bn to UK businesses over a two-year period.
- The Chancellor said income tax thresholds will be frozen until 2026 after next year's planned increases. Inheritance tax thresholds and the pensions lifetime allowance will also be frozen for five years
- All alcohol duties and the fuel duty were frozen.

Housing

- The Chancellor has unveiled a mortgage guarantee scheme to help homebuyers purchase property with small deposits. Under the scheme, the Government will offer lenders a guarantee, incentivising them to boost the number of riskier 95% mortgages.



“It will take the UK a long time to recover but I will do *whatever it takes*”.

- The Chancellor also announced a three-month extension to the stamp duty holiday for properties under £500,000. The holiday for properties worth less than £250,000 will apply until the end of September.

Saving Covid Hit Areas

- Businesses will be able access a new “Recovery loan scheme” to replace the Bounce Back and coronavirus loan schemes. Loans between £25,000 and £10m will be available with a 80% government guarantee.
- The Chancellor has unveiled a £5bn Restart Grant scheme that will provide Covid-hit firms up to £18,000 to boost their survival chances.
- The cash injection will be aimed at retail, hospitality, accommodation, leisure and personal care firms. Retailers

hardest hit industries such as retail and hospitality has been extended for three months. For the remaining nine months, business rates will be discounted by two-thirds - a £6bn tax cut for firms, Mr Sunak said.

- The VAT cut to 5% for the hospitality, accommodation and attractions sectors will be extended until the end of September. The rate will then be 12.5% for a further six months.

Other Announcements

- The Bank of England will be given a new monetary policy remit with green goals to help tackle climate change.
- Mr Sunak revealed the new UK Infrastructure Bank will be based in Leeds. It will be given £12bn of capital

invest alongside the private sector in high-growth start-ups.

- A new Treasury campus will be set up in Darlington in the north east of England.
- More than £1bn for new town redevelopment deals was announced.
- Eight new free ports will be set up at East Midlands airport, Liverpool, Felixstowe, Plymouth, Thames, Teesside, Humber and Solent.
- The Treasury has set aside an extra £1.7bn to aid the vaccine rollout.
- The UK will launch a green savings bond aimed at retail investors to help raise money to drive the transition to net zero carbon emissions.



Chancellor announces support for self-employed and businesses

Chancellor Rishi Sunak has announced further details for a fourth and fifth grant to support self-employed individuals affected by the pandemic.

A fourth Seiss grant will run for three months from February until April, worth 80% of three months' average trading profits up to £7,500 in total.

A fifth and final grant will be available from May onwards, worth three months of average profits. This will be open to claims from late July.

"Total fiscal support over this year and next amounts to £407bn."

But the chancellor said it would be fair to target support to those most affected by the pandemic.

This means for those whose turnover has fallen by 30% or more will continue to receive the full 80%.

But those whose turnover has fallen by less than 30% will receive a reduced grant of 30%.

Some 600,000 more self-employed people will also be eligible for government help as access to grants is widened.

Those who filed their tax return for 2019-20 by midnight last night are now eligible.

The government has spent £33bn supporting the self employed since the crisis began.

The chancellor has also extended the Coronavirus Job Retention Scheme (CJRS), which pays 80% of employees' wages for the hours they cannot work in the pandemic, until September 30.

However employers will be expected to pay 10% towards the hours their staff do not work in July, increasing to 20% in August and September, as the economy starts to reopen.

Business Grants

Sunak also announced a new restart grant in April after cash grants end. The government will give up to £6,000 to premises that can open soon and up to £18,000 to hospitality businesses that are forced to open later.

In total it has given £25bn in cash support to businesses in this pandemic.

It has also announced a new recovery loan scheme for businesses of all sizes with an 80% government guarantee to lenders.

'Swifter' bounceback but OBR paints mixed picture

revised up its economic forecasts, and now expects GDP to return to pre-pandemic levels by mid 2022 - six months earlier than previously predicted.

Chancellor Rishi Sunak said in the Budget that the recovery would be "swifter" and "more sustained" than had been expected at the time of his November statement, but there was mixed news on the expected shape of that growth.

The OBR now expects unemployment to peak at 6.5%, rather than its previous expectation of 7.5%

But the forecaster has revised down its expectations for 2021, predicting the economy will grow by 4% this year, down from a previous forecast of 5.5%. While it now anticipates growth of 7.3% next year, up from a previous forecast of 7%, the 2023 estimate has fallen from 2.3% to 1.7%.

In three years' time the economy is still expected to be 3% smaller than would have been the case if the pandemic had not happened. Official data shows the economy has shrunk by 10% as a result of the pandemic.

Sunak said the total of government spending on the pandemic will be £407bn.

He noted that the cost of UK government borrowing over 10 years has risen by about 0.5 percentage points over the past six weeks. This does not affect money that has already been borrowed, the interest rate on that is fixed, but rather it increases the interest rate on money borrowed in future.





Corporation tax rise offset by new 'super deduction'

From April 2023 the rate of corporation tax paid on company profits will increase from 19% to 25%, the Chancellor announced today.

Speaking at the Budget, Rishi Sunak outlined the corporation tax increase saying it was "fair and necessary" for businesses to contribute to the UK's recovery due to how much support they received throughout the pandemic.

However, companies with profits under £50,000 will remain at 19%, meaning only 10% of companies will pay the higher rate. At the same time, Sunak also

unveiled a 'super deduction' tax relief for businesses in a bid to spur investment. Companies that invest in their businesses over the next two years will be able to reduce their tax bills by 130% of the cost - a move the chancellor described as "the biggest business tax cut in modern British history".

Budget documents said the deduction will only apply to "companies investing in qualifying new plant and machinery assets" rather than intangible assets.

Sunak noted the UK will continue to have one of the lowest corporation tax rates even after the rise comes into force.

Stamp duty holiday extended until June 2021

Chancellor Rishi Sunak has confirmed a three-month extension to the stamp duty holiday. Sunak announced that the current stamp duty holiday has been extended until June 30 in the Budget today (March 3 2021).

The nil rate band will then be set at £250,000 until the end of September when it will return to £125,000.

Sunak said: "The cut in stamp duty I announced last summer has helped hundreds of thousands of people buy a home and supported the economy at a critical time.

"But due to the sheer volume of transactions we're seeing, many new purchases won't complete in time for the end of March.

"So I can announce today the £500,000 nil rate band will not end on the 31st of March. It will end on the 30th of June."

"Then, to smooth the transition back to normal, the nil rate band will be £250,000, double its standard level until the end of September.

"And we will only return to the usual level of £125,000 from October the 1st." The residential stamp duty threshold was raised from £125,000 to £500,000 in July to "catalyse the housing market and boost confidence", according to the Chancellor's summer statement.

The tax relief was originally due to end on March 31.

The extension comes after numerous calls for the stamp duty holiday to be extended. Last month MPs discussed a petition to extend the tax break that had garnered more than 130,000 signatures.

A February survey of more than 1,600 respondents by Rightmove found that one in five (21%) were worried they would not complete in time to make use of the stamp duty holiday if it did come to an end on March 31.

"Your home may be repossessed if you do not keep up repayments on your mortgage".

One in six (16%) said they were likely to pull out of the sale if they did not complete in time to make use of the stamp duty savings.

Nevertheless the housing market has remained strong. Nationwide reported 6.9% annual house price growth in February after growth had slowed to 6.4% for the first time in six months in January.

Chancellor announces mortgage guarantee scheme

The Chancellor has confirmed the launch of a mortgage guarantee scheme for small deposit homebuyers.

Announcing the scheme in the Budget today (March 3), Rishi Sunak said some of the largest lenders would be offering government backed 95% mortgages from next month.

He said: "Lenders who provide mortgages to homebuyers who can only afford a 5% deposit will benefit from a government guarantee on those mortgages.

"And I'm pleased to say that several of the country's largest lenders including Lloyds, NatWest, Santander, Barclays and HSBC will be offering these 95% mortgages from next month.

"And I know more including Virgin Money will follow shortly after.



"A policy that gives people who can't afford a big deposit the chance to buy their own home.

"As the prime minister has said, we want to turn generation rent into generation buy."

Tony Hall, interim head of mortgage sales at Saffron Building Society, commented: "First time buyers historically have been a large part of the mortgage market with up to 350,000

due to the pandemic has been a rapid rise in house prices combined with falling availability of high loan to value mortgages, due to uncertainty on where prices will trend in 2021.

"The new Guaranteed Mortgage Scheme would help the situation for the buyer whilst supporting the industry. It offers intermediaries the opportunity to re-engage with clients that may have missed out on their mortgage in 2020 and bring them closer to their first or next home.

"We also hope that by stimulating the market we will begin to see lenders returning to the 95% LTV market in response, creating competition and choice for intermediaries and applicants in a much-needed sector of the market."

It comes after plans for the mortgage guarantee scheme were revealed by the Treasury over the weekend.

The scheme will enable first-time buyers and homeowners to secure a mortgage with a 5% deposit on a property of up to £600,000.

The government will offer lenders the guarantee they need to provide mortgages that cover the other 95%.

The scheme, which will be available to lenders from April, will provide them with the option to purchase a government guarantee that compensates them for a portion of losses in the event of foreclosure.

All lenders under the scheme will also offer mortgages fixed for at least five years which, according to the Treasury, would provide options for consumers with smaller deposits who want the security and predictability of a mortgage with a fixed rate over a longer term.

It comes after a party conference speech last year in which Prime Minister Boris Johnson said the Conservatives would help turn 'generation rent' into 'generation buy' with a policy on long-term fixed-rate mortgages of up to 95% LTV.

The new scheme comes after a dramatic decline in the number of 95% LTV mortgages available since the pandemic.

Data from Moneyfacts showed there were five products at the start of last month, compared to 405 at the start of February 2020.

The new mortgage guarantee scheme will be based on a previous version that launched in 2013.

According to the Treasury, from October 2013 to June 2017, the previous mortgage guarantee scheme helped to increase the number of 95% LTV products available from 43 to 261.

Government to reform investment rules for pension schemes

The government has announced a consultation into investment rules for pension schemes to support the economy post-Covid.

Delivering the 2021 Budget, Rishi Sunak said the government was “taking steps to give the pensions industry more flexibility to unlock billions of pounds from pension funds into innovative new ventures”.

He said Lord Hill has led a “landmark review” in this area, and that the Financial Conduct Authority will be consulting on this matter “very shortly”.

According to the budget documents, this consultation will analyse whether certain costs within the charge cap, set at 0.75%, affect pension schemes’ ability to invest in a broader range of assets.

The goal is to ensure that pensions schemes are not discouraged from such investments and are able to offer the “highest possible return for savers”.

Additionally, the Department for Work and Pensions will come forward with draft regulations to make it easier for schemes to take up these opportunities within the charge cap by smoothing certain performance fees in a multi-year period.

LTA among raft of tax thresholds frozen until 2026

The pensions lifetime allowance will be frozen at just over £1m until April 2026, chancellor Rishi Sunak has announced, as part of a series of



delivering the 2021 Budget, Sunak said the LTA will stay at its current level of £1,073,100 until April 2026, instead of increasing in line with the consumer price index. Inheritance tax thresholds will also be frozen until that date, as will annual capital gains tax allowances. Personal tax thresholds for both basic and higher-rate taxpayers will rise next year as previously planned, but will then also be frozen until 2026.

The lifetime allowance is a limit on the value of all pensions at crystallisation – whether lump sum withdrawals or retirement income – that can be made without triggering an extra tax charge.

In the run-up to the Budget, commentators had warned the move could push thousands of savers into paying 25% tax on additional income drawn from their pots, as well as charges of 55% if they draw down lump sums.



paying 25% tax on additional income drawn from their pots, as well as charges of 55% if they draw down lump sums.

Capital gains tax out of firing line in Budget

Savers breathed a sigh of relief as a predicted hike in capital gains tax did not become reality in today's Budget.

Chancellor Rishi Sunak had been predicted to raise the 20% rate to bring it more in line with income tax rates.

But the change did not transpire - at least not in this Budget, and nor did any changes to inheritance tax.

Tax Simplification, saying he was particularly interested in how the levy interacted with taxes on income.

Earlier in February, HM Revenue & Customs published its tax receipts data, which showed CGT receipts were the highest they had ever been.

The CGT receipts were tallied at £7.6bn for the tax year to date (April 2020 to January 2021); when looking at the last calendar months, the receipts totalled £10.4bn.

Lifetime Isa penalty reinstated

Younger savers hoping for another reprieve on withdrawals from their Lifetime Isa have been left disappointed after the chancellor reinstated the 25% penalty. on April 5, 2021.

By means of a statutory instrument, the 25% charge had been reduced to 20% to help younger people in financial need as a result of

the coronavirus crisis make withdrawals.

A withdrawal charge does not apply when a withdrawal is made to buy a first home or the investor has a terminal illness.

The temporary reduction meant Lisa investors would only lose the government bonus earned on the amount they withdraw, which is £1 on every £4 invested each tax year.

However, although Sunak extended the furlough scheme until September this year, and announced further support for businesses, he did not extend the Lisa penalty reduction.

DWP to repay £3bn in underpaid state pensions

The Department for Work and Pensions has estimated that it will cost £3bn over the next six years to address the issue of underpayments of the state pension to women.

Alongside today's Budget, the Office for Budget Responsibility has published its 'economic and fiscal outlook' which includes an update on underpaid state pensions.

It said the DWP has identified underpayments relating to entitlements for certain married people, widows and the over-80s dating back to 1992.

It stated: "Our forecast reflects an initial estimate that it will cost around £3 billion over the six years to 2025-26 to address these underpayments, with costs peaking at £700 million in 2021-22."

The issue of state pension underpayments for married women was first raised by pension consultants LCP back in May.

Under the old system, married women could claim a basic state pension at 60% of the full rate based on their husband's contributions, assuming this would be a greater amount than the pension they would receive from their own contributions.

Since March 17, 2008, this uplift should have been applied automatically. Prior to this date, a married woman had to make a "second claim" to have her state pension increased when her husband turned 65 - and many women did not make such claims.

The DWP previously promised to search its records to unearth information on those who continue to miss out, and several thousand married women have already phoned DWP and made successful proactive claims.

According to LCP, the DWP has set up a special unit employing more than 100 civil servants to look into the issue.



[Click Here To Schedule A Free Consultation](#)

Budget 2021: ready to start a conversation?

Our guide to Budget 2021 aims to provide a clear and concise commentary of the main Budget proposals, focusing on the issues pertinent to you, your family and your business.

This guide is for your general information and use only, and is not intended to address your particular requirements. The content should not be relied upon in its entirety and shall not be deemed to be, or constitute, advice. Although endeavours have been made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No individual or company should act upon such information without receiving appropriate professional advice after a thorough examination of their particular situation. We cannot accept responsibility for any loss as a result of acts or omissions taken in respect of the content. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts. Levels and bases of, and reliefs from, taxation are subject to change and their value depends on the individual circumstances of the investor. The value of your investments can go down as well as up and you may get back less than you invested. All figures relate to the 2020/2021 tax year, unless otherwise stated.

SHALCHI & PARTNERS LIMITED is a company incorporated in England and Wales (registered number 11831263) whose registered office is at Curtis House, 34 Third Avenue, Hove, United Kingdom, BN3 2PD.

Shalchi & Partners Ltd is authorised and regulated by the Financial Conduct Authority (registered number 841266)