

Analysis: Six key aspects of the Budget 2021

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04 March 2021

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1. Corporation Tax

What was the announcement?

The Chancellor has said that Corporation taxes will rise up to 25% in 2023.

The trading loss carry-back rule will be extended temporarily from the existing one year to three years.

There is a “super deduction” tax relief for business investment for two years. For every pound invested on qualifying plant and machinery, this could save companies up to 25p in tax.

What will the impact be?

The super-deduction is a significant incentive to invest, and is expected to cost £25bn. To put this into context, the government is only raising £40bn from Corporation tax this year.

Long-term predictions are difficult at the moment; this is a very different budget to that which would have been expected six, 12 or 18 months ago. So, we would not be surprised if the Corporation Tax changes do not go ahead exactly as advertised.

2. Employment

What was the announcement?

Furlough leave via the Coronavirus Job Retention Scheme (“CJRS”) is extended until the end of September 2021. The Government expects employers to meet some of the employee costs: 10% in July rising to 20% in August and September. This is in line with previous amendments to the CJRS where the concept of “flexible furlough” was introduced as the economy opened up after the first national Lockdown. Further details will follow shortly.

How will this affect employers?

This ought to be the last extension to the CJRS. Significant redundancies are expected to follow. The OBR expects unemployment to peak in Q4 at 6.5%. Depending on the number and location of those redundancies, employers may be required to collectively consult with their workforce for a fixed period.

The criteria for furlough has been revised in recent months and there is scrutiny on firms to have their records aligned to the support schemes they have been using, as they may be called by the government to justify their business support applications past and present.

This is particularly important as the government is spending £100m on a “Taxpayer Protection Taskforce” to combat fraud, including with the CJRS and SEISS.

What other announcements affect employers?

The Chancellor also announced that incentives for apprentices will rise, there is going to be a new visa scheme to help highly skilled migrants, and the minimum wage will rise.

Our [employment team](#) can provide you with further advice on the impact of this to your business.

3. Freeports

Where will the Freeports be?

The Chancellor has announced the first eight Freeport locations: East Midlands Airport, Felixstowe and Harwich, the Humber, Liverpool City, Plymouth, Solent, Thames and Teesside.

What does “Freeport” mean anyway?

A freeport, historically, is somewhere that doesn’t impose tax on goods that arrive in the freeport. So, they are used for import and export.

The freeports announced will combine this with temporary tax breaks and reduced regulation; the sort of benefits that have been granted to enterprise zones.

What businesses should be interested?

We expect that the biggest impact will be for British manufacturers interested in export markets.

Browne Jacobson has given wide ranging advice in relation to the establishment of freeports, and is familiar with their key features and advantages. The details are still evolving and we will learn more about the precise rules in the coming weeks and months. If this is something your business is considering, we can help advise you on your next steps.

4. Green Growth and the new UK Infrastructure Bank

What was the announcement?

The Chancellor’s budget provided more details about the new infrastructure bank which is designed to replace (in part) the funding previously available from the European Investment Bank (EIB) post Brexit.

Other climate-related initiatives announced included green bonds and further investment in wind turbines. However the Government is, for now at least, steering clear from financial disincentives/green tax rises – there is no rise in fuel duty, whilst the government is also maintaining the freeze on the price of carbon.

What funding will be available for businesses?

The Government will provide an initial £12bn capital investment in the Infrastructure Bank and it is expected to support at least £40bn private and public sector infrastructure projects. The Infrastructure Bank will have climate change as its core focus.

The bank will also support the government’s broader strategy to level up opportunities across the UK, along with the Levelling Up Fund, which was also first announced last year and will provide local authorities with extra money to spend on infrastructure.

We help businesses apply for grant funding and loans and maximise their chances of receiving it. We also advise companies about the [new rules on subsidy control](#).

Have the measures gone far enough for Green Growth?

There was little in the Budget to support the decarbonisation of homes, particularly given that the Green Homes Grant has been cut and financial disincentives, including the freeze on fuel duty, remain unchanged.

We continue to work with clients across a range of sectors on climate change and sustainability projects, and are also taking a leading role on thought leadership, hosting various workshops and roundtables and publishing a number of papers e.g. [Midlands Engine Roundtable Report](#).

5. Retail, Hospitality and Leisure

What is the restart grant?

The Chancellor announced a new 'restart' grant which will be available in April to help businesses reopen when lockdown begins to ease next month. The 'restart' grant will replace the current monthly grant system.

Non-essential retail businesses, which are due to reopen from April, will be eligible for grants of up to £6,000 per premises. Hospitality and leisure businesses, including personal care and gyms, which will open later or will be more impacted by restrictions when they do, can each claim grants of up to £18,000 per premises.

Will this work?

The grant itself will be welcomed by the 700,000 retail, hospitality and leisure businesses in England but we know from our clients that grants announced in January have suffered from unnecessary delays; it is critical that these funds are issued to businesses as quickly as possible in order for these businesses to have a chance of surviving.

What other changes impact these sectors?

The business rates holiday is being extended. The 100% business rates holiday for these sectors will continue until the end of June. After that, a two-thirds discount will be given for the remaining nine months of the fiscal year. This is great news in the short term, but the outdated and broken business rates system needs reform to revive the high street. Very little progress has been made since the Spring 2020 budget when the Chancellor announced a fundamental review of the business rates system. This has now been delayed until at least the Autumn budget.

6. Stamp Duty Land Tax (SDLT)

What was the announcement?

As expected, the so called "SDLT holiday" for purchases of residential property (whereby the standard SDLT rates do not apply until the chargeable consideration for the transaction reaches £500k) has been extended to 30 June 2021.

The return back to the previous threshold of £125k will also be staggered (with the threshold reducing to £250k from 1 July 2021 to 30 September 2021 before going back to the standard level of £125k from 1 October 2021).

How does this affect corporates?

For corporate purchasers outside of the flat 15% SDLT charge (and for others subject to the "additional residential property" rules) the additional 3% SDLT rates still apply. This means that there is still an SDLT charge on consideration up to the threshold of £500k (or £250k between July and October), albeit a smaller one than there would have been without these temporary increases in the threshold. Residential property purchases by corporates can bring in SDLT complexities around residential/non-residential status, reliefs (e.g., multiple dwellings relief) and for certain purchases, potential liability for the flat 15% rate of SDLT.

Browne Jacobson's [tax team](#) has extensive experience in advising on such matters and would be very happy to assist with any queries that you might have in this respect.

For further analysis on the implications of the budget for your organisation, contact [Declan Cushley](#).

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