



# *Autumn Budget 2021*

02 November 2021

Frank Haskew

Anita Monteith

Richard Jones

# *Presenters*



**Moderator**

Frank Haskew  
Head  
ICAEW Tax Faculty



**Presenter**

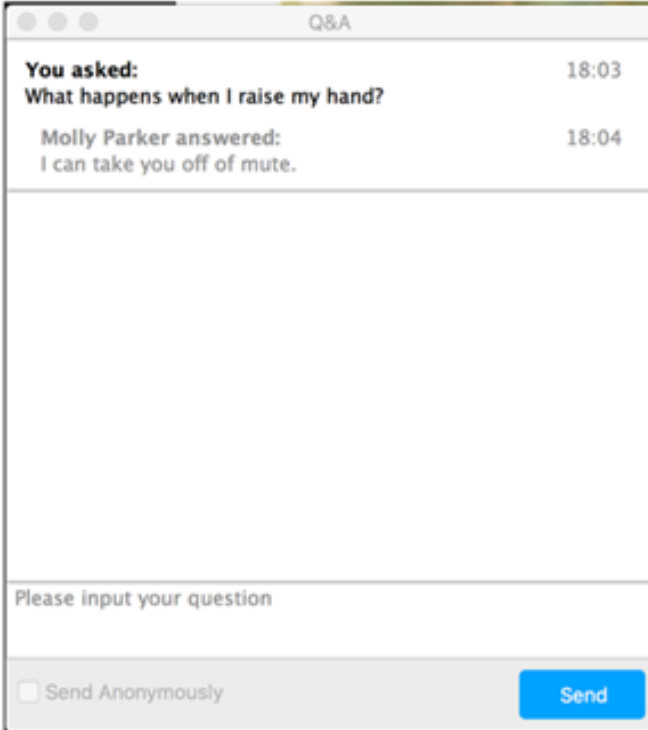
Anita Monteith  
Technical Lead  
ICAEW Tax Faculty



**Presenter**

Richard Jones  
Technical Manager, Business Tax  
ICAEW Tax Faculty

# Ask a question



The screenshot shows a window titled "Q&A". It contains a question and answer history:

<b>You asked:</b> What happens when I raise my hand?	18:03
<b>Molly Parker answered:</b> I can take you off of mute.	18:04

Below the history is a large empty text area for input. At the bottom, there is a text prompt "Please input your question", a checkbox labeled "Send Anonymously", and a blue "Send" button.

## *To ask a question*

Click on the **Q&A** button in the bottom toolbar to open the submit question prompt.

Type in your question and click **send**.

Note. If you wish to ask your question anonymously check the **send anonymously** box shown on the illustration to the left.

# ***What we will cover 1***

1. Budget and Spending review - Overview
2. Personal tax
  - Health and social care levy
  - CGT reporting deadline extended to 60 days
3. Business tax changes
  - Making the UK a good place to do business
  - Keeping business activity in the UK
  - Cultural sector tax reliefs
  - Business rates
  - Freeports update

# ***What we will cover 2***

## 4. Tax administration

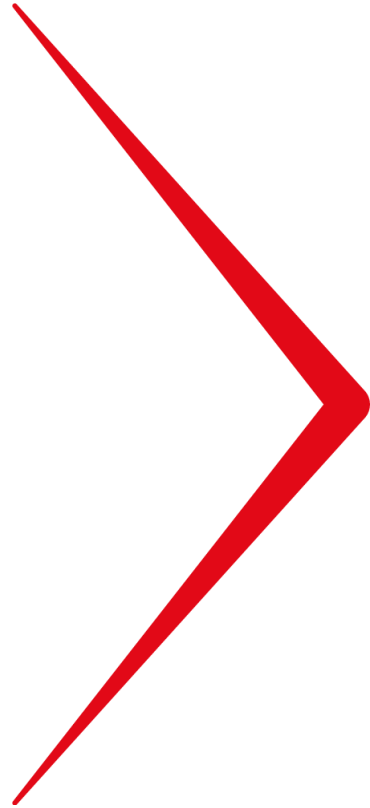
- Making Tax Digital for Income Tax
- Basis period reform
- Discovery assessments

## 5. Compliance

- Promoters of tax avoidance schemes
- AML levy

## 6. The future

1



***Spending  
Review***

# ***2021 Autumn Budget and Spending Review***

- Improved economic position over March 2021
  - OBR growth forecasts up
  - 2021 – up from 4% to 6.5%
  - 2022 - 6%
  - Unemployment was estimated in July 2020 to peak at 12%. Now expected to peak at 5.2%.
  - Inflation rising – CPI at 3.1% and expected to average 4% in 2022
- Spending review
  - Public spending set to grow by 3.8% a year
- Tax measures
  - Pre-emptive strike with the Health and Social Care Levy
  - No further substantive tax changes and rises
  - But plenty of changes hidden in the detail

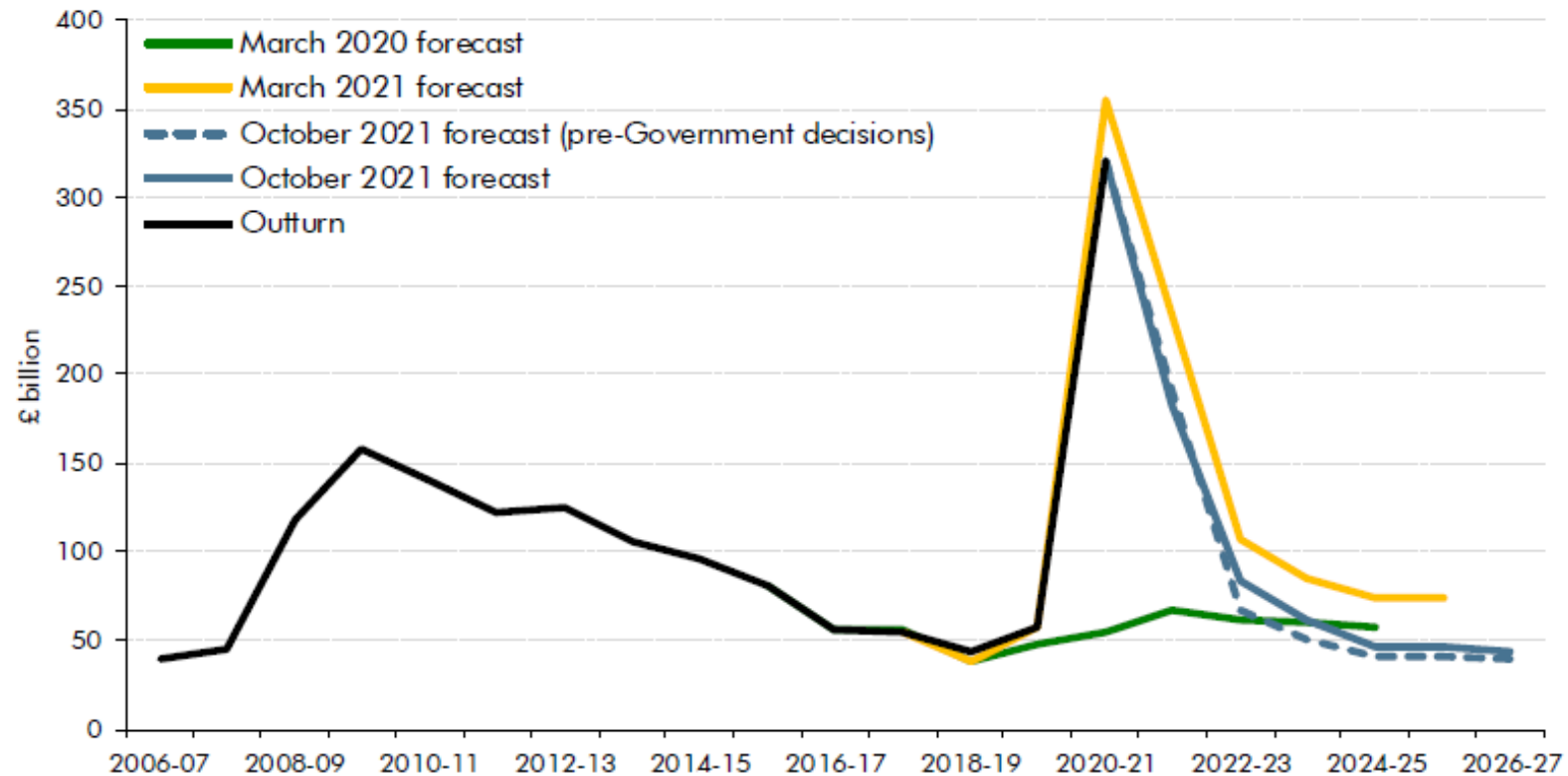
# ***2021 Autumn Budget and Spending Review***

- Public finances
  - Pandemic has shot the UK's finances to pieces
    - OBR latest estimate is that the pandemic has cost the UK £314bn.
  - New fiscal rules
    - New fiscal rules v Gordon Brown's Golden Rule
  - Borrowing revised down
    - 2020-21 to £320bn
    - 2021-22 to £183bn
  - Net debt for 2021-22 now £2,369bn!
    - Peaking at 98.2% of GDP in 2021-22
  - Heightened risk of borrowing caused by higher inflation



# Public sector net borrowing since 2006

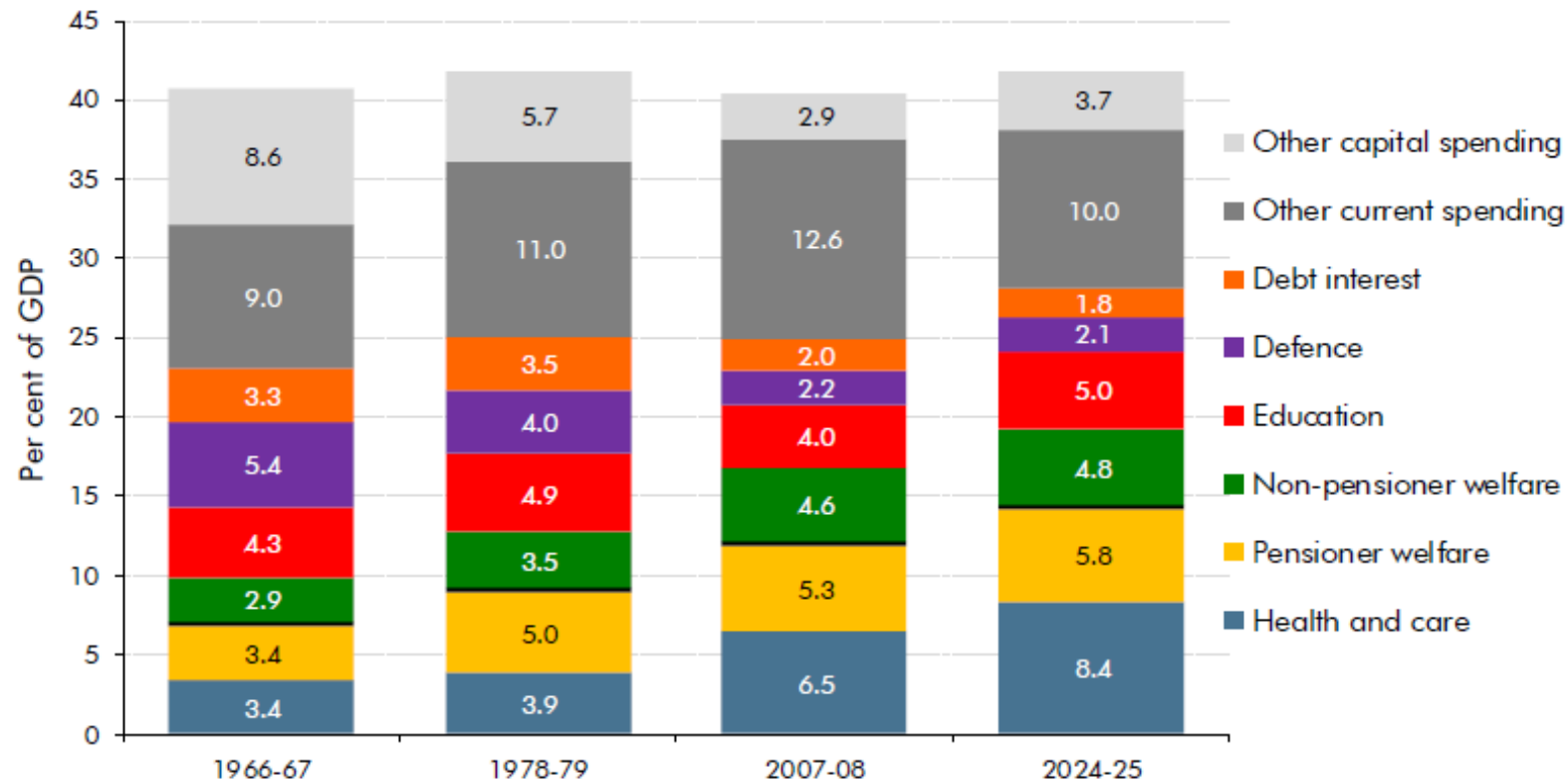
Chart 1.1: Public sector net borrowing



Source: ONS, OBR

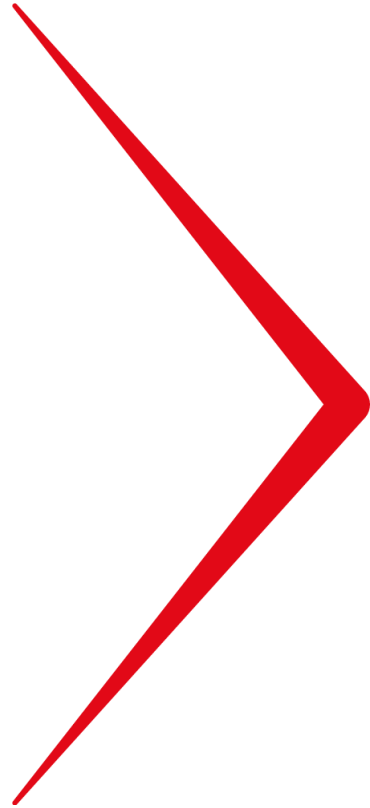
# Historic changes in public spending

Chart 3.11: The composition of spending: historical trend and illustrative projection



Source: Bank of England, DHSC, DWP, HMT, IFS, OBR

2



***Personal tax***

# ***Personal tax 1***

- Health and social care levy
  - Announced 7 September
  - Applies across the UK
  - Classes 1 and 4 NIC increased by 1.25% from **April 2022**
    - **Via NIC for 2022/23**
    - New HSCL from April 2023
    - HSCL separated out and extended to workers above State Pension age
    - Employment Allowance available to offset HSCL as well as NIC
- Dividends
  - 1.25% increase from 6 April 2022
  - £2,000 dividend allowance unchanged

# Personal tax 2

- National Minimum/Living Wage

	2022/23	2021/22
- National Living Wage (aged 23 and over)	£9.50	£8.91
- National Minimum Wage (aged 21 & 22)	£9.18	£8.36

See ICAEW Tax Faculty webinar on 29 November 2021
- Pensions
  - Top up for low earners in Net Pay Arrangements (ie where ‘tax relief’ is given by the payroll) from 2024/25
  - Lifetime allowance frozen at £1,073,100 until 5 April 2026
  - Age to access pension savings increases to 57 (from 55) from 6 April 2028
- CGT
  - Reporting and payment deadline extended to 60 days for residential property
  - Clarification re mixed use property reporting
  - Completion after 26 October 2021

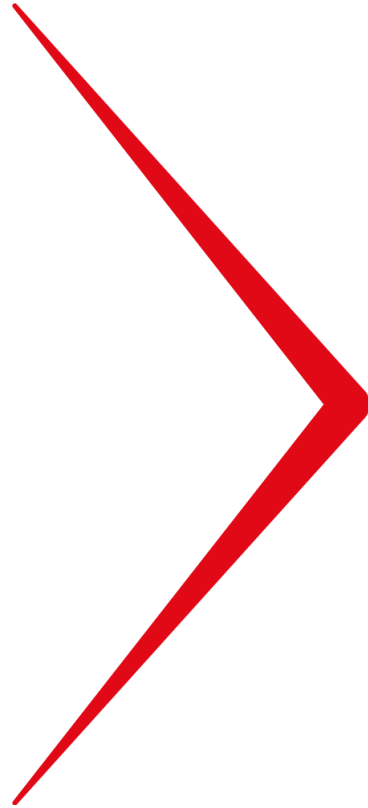
# ***Personal tax 3***

- Universal credit taper and work allowance, wef 1 December 2021
  - Taper rate of 63% reduced to 55%
  - Working allowance increases by £500 pa, so
    - from £293 to £334 if receiving housing support
    - From £515 to £556 if no housing support
- Self employed claimants
  - Beware the National Minimum Wage and the Minimum Income Floor

# ***Personal tax, what was missing***

- Hybrid working
  - eg travel expenses
- Upskilling and re-training the workforce
- Work status
  - Employment v self employment

3



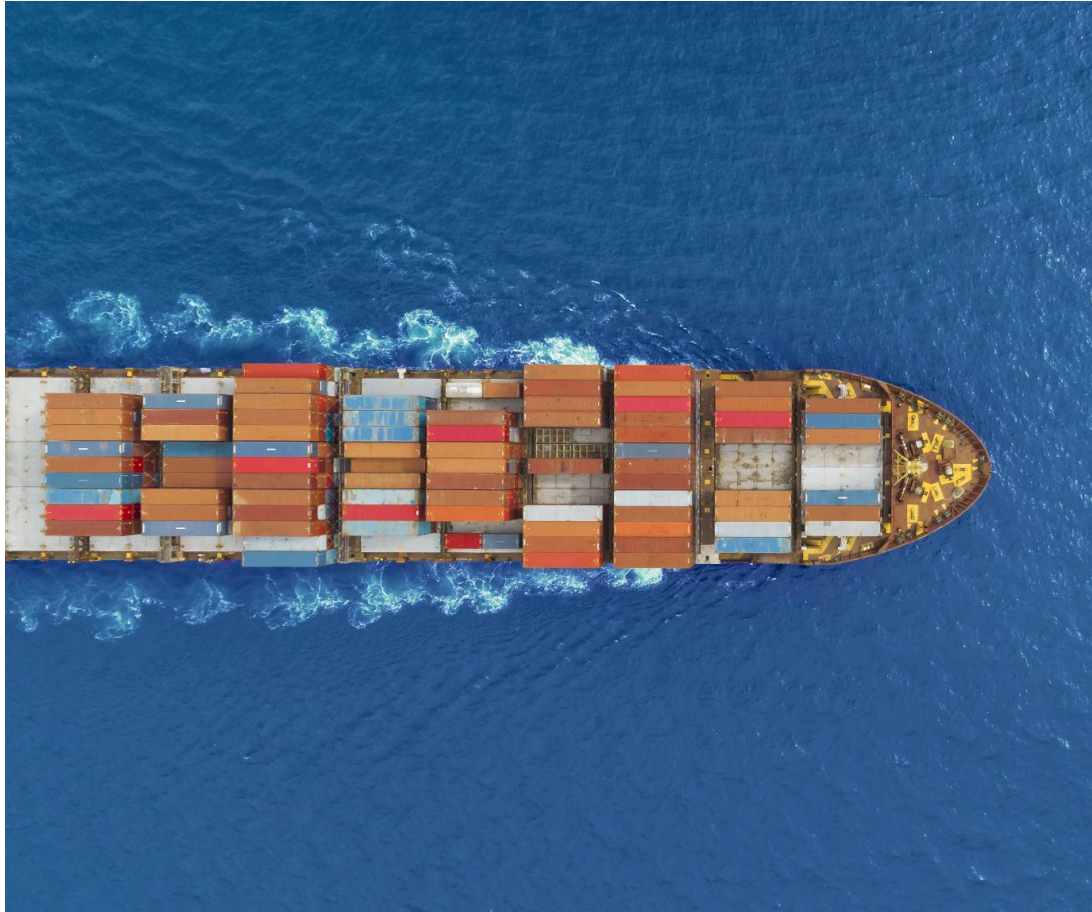
***Business tax  
changes***



# ***Making the UK an attractive place to do business in***

- £1m annual investment allowance extended to 31 March 2023
- From April 2023, R&D expenditure extended to include data and cloud computing costs
- Reform of tonnage tax regime
- Company 're-domiciliation'

# *Reform of tonnage tax regime*



- Applies to shipping companies
- Alternative profit calculation based on net tonnage of each ship

For each 100 tons up to 1,000 tons	£0.60
For each 100 tons between 1,000 and 10,000 tons	£0.45
For each 100 tons between 10,000 and 25,000 tons	£0.30
For each 100 tons above 25,000 tons	£0.15

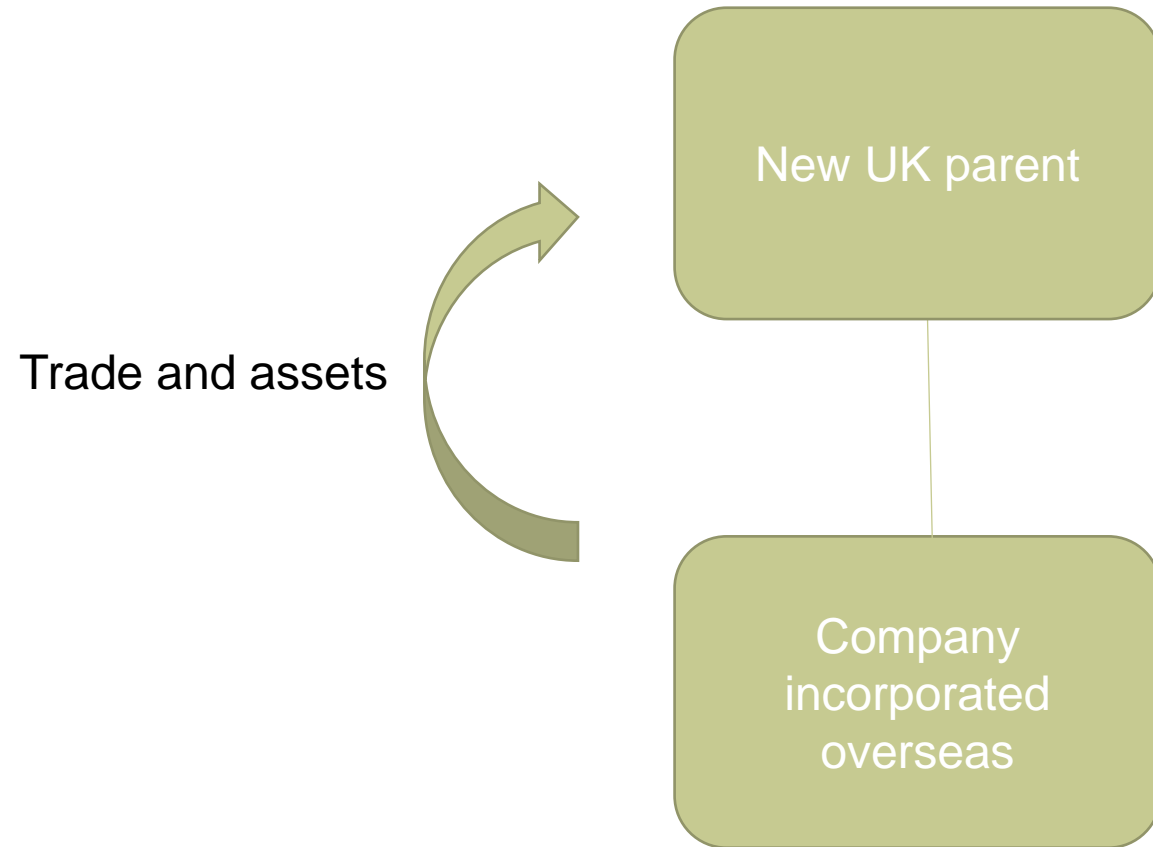
# ***Reform of tonnage tax regime***

- Period companies/groups elect in for reduced from 10 to 8 years
- Elections in may be allowed by HMRC outside normal time window
- 'Flagging' rules removed

# ***Company 're-domiciliation'***

Company  
incorporated  
overseas

# ***Company 're-domiciliation'***



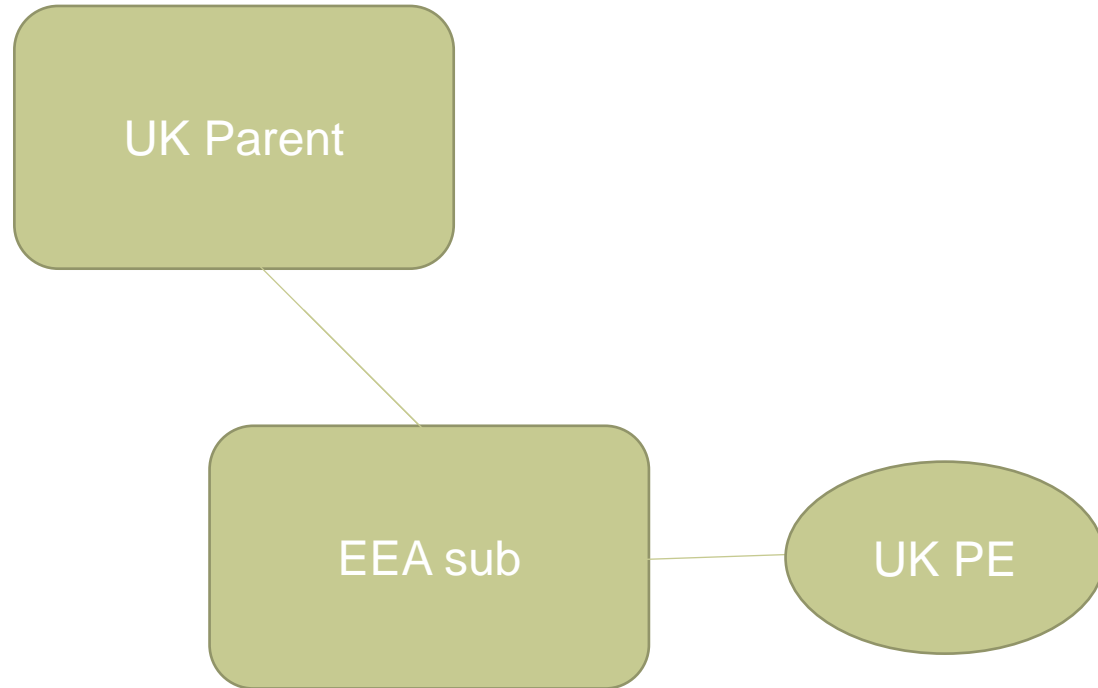
# ***Company 're-domiciliation'***

- Consultation till 7 January 2022
- Government seeking input on tax issues including:
  - Tax residence status of companies re-domiciling to UK
  - Anti-avoidance measures required (eg to tackle loss importation)
  - Stamp and VAT issues on re-domiciliation

# ***Keeping business activity in UK***

- Restriction of R&D tax relief to UK-based activity only from April 2023
- Abolition of cross-border loss relief from 27 October 2021

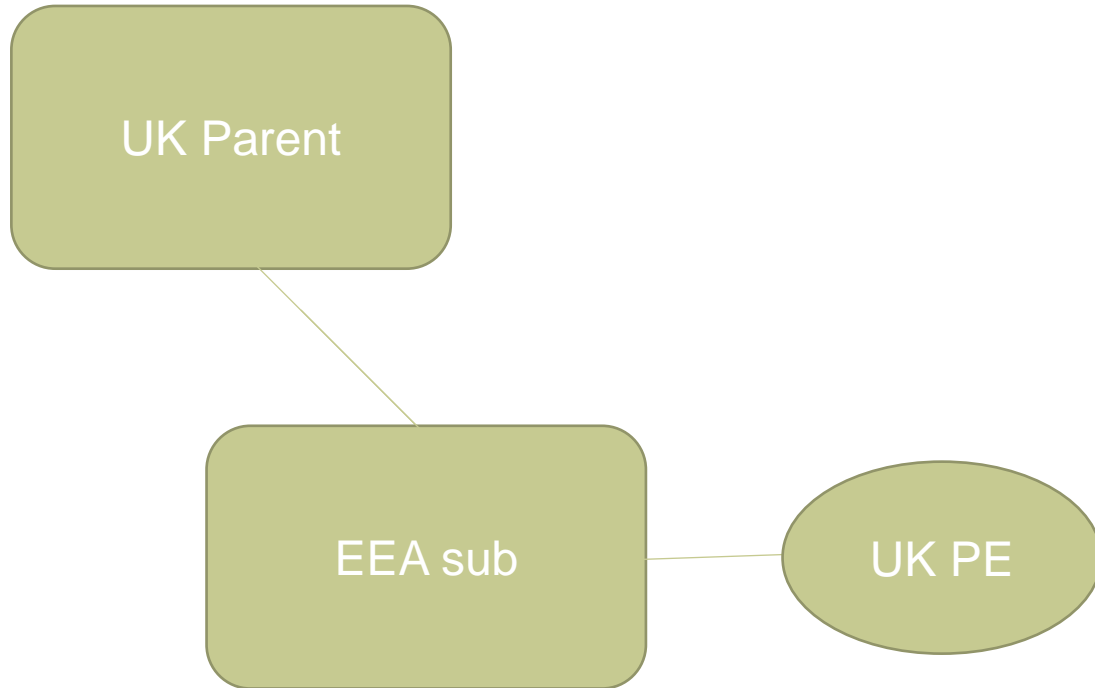
# ***Cross-border loss relief pre-budget day***



- EEA sub can surrender non-UK losses to UK parent if all other possibilities for using loss exhausted
- EEA sub can surrender losses of UK PE to UK parent if losses not actually deducted from non-UK profits of any person



# ***Cross-border loss relief post-budget day***



- EEA sub cannot surrender non-UK losses to UK parent under any circumstances
- EEA sub can surrender losses of UK PE to UK parent only if it is not possible to deduct from non-UK profits of any person for any period

# ***Cultural sector tax reliefs***

Relief regime	Status
Theatre	Permanent
Orchestra	Permanent
Museum and gallery exhibition	Temporary till March 2022

# ***Cultural sector tax reliefs***

<b>Relief regime</b>	<b>Status</b>	<b>Current rates</b>	<b>27/10/21 - 31/03/23</b>
Theatre	Permanent	20% non-touring 25% touring productions	45% non-touring 50% touring productions
Orchestra	Permanent	25%	50%
Museum and gallery exhibition	Extended till 31 March 2014	20% non-touring 25% touring exhibitions	45% non-touring 50% touring exhibitions

# ***Cultural sector tax reliefs***

<b>Relief regime</b>	<b>Status</b>	<b>Current rates</b>	<b>01/04/23 - 31/03/24</b>
Theatre	Permanent	20% non-touring 25% touring productions	30% non-touring 35% touring productions
Orchestra	Permanent	25%	35%
Museum and gallery exhibition	Extended till 31 March 2014	20% non-touring 25% touring exhibitions	30% non-touring 35% touring exhibitions

# *Film and high-end TV tax reliefs*



From April 2022, tax relief continues if decide to switch from theatrical release to TV broadcast or streaming

# ***Business rates***

- Final business rates review published
- Existing system to continue but with improvements
  - From April 2022 - freezing the multiplier for a second year
  - From April 2022 for one year – 50% business rates relief for retail and hospitality – capped at £110,000
  - Starting from April 2023 - moving to three year valuations from five (or more) years
  - From April 2023 – one year rates holiday for improvements
  - From April 2023 - business rates reliefs for green energy
- Changes help smaller businesses but not larger retailers
- Online sales tax – the Government will publish a consultation on the advantages and disadvantages

# ***Freeports update***

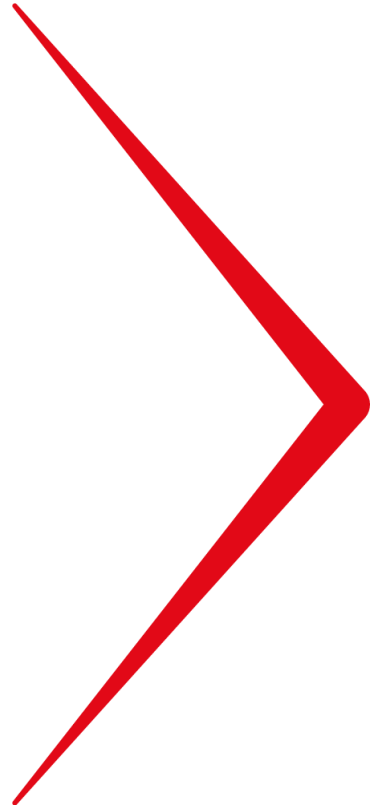
- Eight Freeports announced in the March 2020 Budget
- All eight Freeports will include special tax sites
- Tax sites have five valuable tax incentives
  - 100% FYAs for Plant and Machinery
  - 10% Structures and Buildings Allowances
  - 100% SDLT relief on land purchased in a tax site
  - Full business rates relief
  - Employers' NIC holiday up to £25,000
- Three Freeports - Thames, Humber and Teesport - have had their tax sites confirmed – and can start this month (November 2021)
- Still no news on Freeports for Wales, Scotland and Northern Ireland

# ***Freeports & VAT***

- Goods sold within free zones can be zero rated
- Services carried out on goods in free zones may also be zero rated
- VAT is due if goods leave the free zone and:
  - There is no onward supply of the goods; or
  - There is a breach of the rules of the free zone customs procedures



**4**



***Tax  
administration***

# ***Tax administration - digitalisation***

- MTD VAT
  - April 2022 Digital record keeping and quarterly reporting begin for businesses voluntarily registered for VAT
  - New penalty rules for late filing and late payment begin for first accounting period starting on/after 1 April 2022
- MTD ITSA – **Regulations laid 23 September 2021**
  - Pre announced 1 year deferral to start **6 April 2024** (partnerships 2025)
  - All businesses will keep records using ‘functional compatible software’
  - Make reports quarterly to calendar quarters
    - Quarter to 5 July will be due 5 August
    - Quarter to 5 October be due 5 November
    - Quarter to 5 January be due 5 February
    - Quarter to 5 April be due 5 May

**ICAEW Tax Faculty webinar teach-in on 30 November 2021 from 12:00 to 13:30**
- New penalties begin for MTD ITSA from 6 April 2024 and 6 April 2025 for all other ITSA taxpayers

# ***Basis period reform***

- From **2024/25** onwards new 'tax year basis' for assessing trading income of unincorporated businesses, so using profits of 6 April 2024 to 5 April 2025
- No change for businesses already accounting to 31 March or 5 April
- Those with non 31 March or 5 April accounting dates will find their profits being taxed in different years to currently
- Some of these may want to change their accounting date
- Don't have to for accounting purposes, but tax calculations become more awkward!

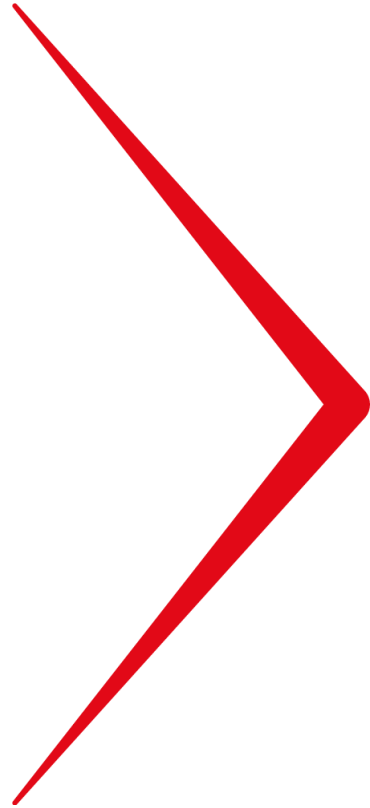
# ***Basis period reform***

- Last year on old basis is **2022/23** , eg a December year end, ye 31 December 2022
- From **2024/25** onwards new 'tax year basis' for assessing trading income of unincorporated businesses, need results 6 April 2024 to 5 April 2025
  - $9/12 \times \text{ye } 31.12.24 + 3/12 \times \text{ye } 31.12.25$
  - 'tax return' will be due by 31 January 2026
- **Transitional year will be 2023/24**
  - Eg 31 December year end, taxable profits 2023/24 will be  $\text{Ye } 31.12.23 + 3/12 \times \text{ye } 31.12.24$ , so 15 months of profit
  - Overlap relief b/f and spreading will be possible
- For businesses not accounting to 31 March or 5 April
  - Apportionment will be necessary
  - Amended returns may be the outcome
- More to come on 'Tax Administration and Maintenance Day'

# ***Discovery assessments***

- Cmmrs for HMRC v Jason Wilkes UKUT 0150 (TCC)
  - HMRC did not have power to recover HICBC by issuing a discovery assessment under s29(1) TMA 1970
  - HMRC has indicated it will appeal to Court of Appeal, however...
- Forthcoming Finance Bill will contain a measure to put this power beyond reasonable doubt. Will also:
  - apply retrospectively
  - Apply to gift aid
  - Apply to certain pension charges

5



***Tax Compliance***

# ***Tackling promoters of tax avoidance schemes***

- Budget 2020 – publication of strategy paper Tackling promoters of mass-marketed avoidance schemes
- Budget 2021 – detailed proposals published for consultation
- July 2021 – summary of responses and draft legislation published
- Autumn Budget 2021 - measures will be included in the Finance Bill 2021-22 and will take effect from Royal Assent (expected in summer 2022)
- Four new measures:
  - a new power for HMRC to seek freezing orders on promoters' assets
  - new penalty on a UK entity which facilitates the promotion of tax avoidance by offshore promoters
  - New power to enable HMRC to present winding-up petitions to the court for companies or partnerships operating against the public interest
  - allow HMRC to name promoters and details of the schemes they promote.

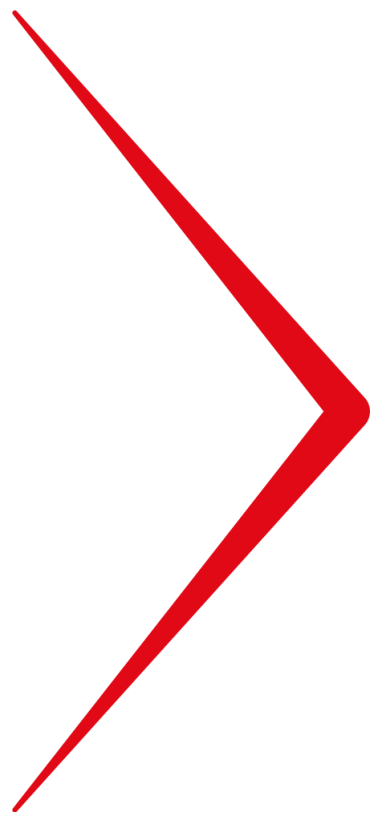
# ***Economic crime (anti-money laundering) levy***

- New anti-money laundering (AML) levy to help tackle economic crime
- Will apply to businesses registered for AML with a UK turnover of more than £10.2m
- Levy collectors are HMRC, Financial Conduct Authority and the Gambling Commission
- Levy will be paid in annually in arrears starting in April 2022/23
- ICAEW member firms which meet the criteria will pay the levy to HMRC
- The levy will have four bands based on turnover

	<b>Revenue (broadly UK turnover)</b>	<b>Expected levy range</b>
Small	< £10.2m	Exempt
Medium	£10.2m - £36m	£5k to £15k
Large	£36m - £1bn	£30k to £50k
Very large	> £1bn	£150k to £250k



6



***What's next?***

# *Is it easy being green?*

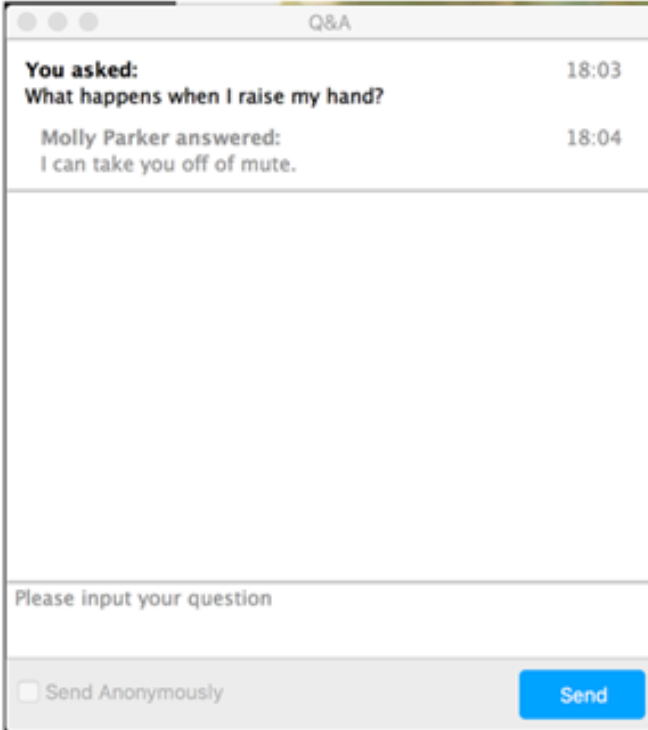
- Air Passenger Duty changes from 1 April 2023 (see table below)
- Fuel benefit for cars and vans increased by CPI
- Heat pump ready programme to be launched winter 2021

	Reduced rate (£)	Standard rate (£)	Higher rate (£)
Domestic flights	6.50	13	78
0 – 2,000 miles	13	26	78
2,001 – 5,500 miles	87	191	574
Over 5,500 miles	91	200	601

# ***What's next?***

- Draft Finance Bill to be published 4 November 2021
- Consultations awaited on:
  - R&D tax relief reform
  - Online sales tax
  - Alcohol duty reform
  - Response to accounting changes for insurance contracts (IFRS 17)
  - Options to simplify the VAT treatment of fund management fees
- Tax Administration and Maintenance day expected later this Autumn
  - In particular, more on basis periods and Making Tax Digital in weeks ahead

# Questions



The screenshot shows a Q&A window with the following content:

Message	Time
<b>You asked:</b> What happens when I raise my hand?	18:03
<b>Molly Parker answered:</b> I can take you off of mute.	18:04

Below the messages is a large empty text area for input. At the bottom, there is a text prompt "Please input your question", a checkbox labeled "Send Anonymously", and a blue "Send" button.

## *To ask a question*

Click on the **Q&A** button in the bottom toolbar to open the submit question prompt.

Type in your question and click **send**.

Note. If you wish to ask your question anonymously check the **send anonymously** box shown on the illustration to the left.

# *Thank you for attending*



Please take the time to fill out our short survey.



Contact the Tax Faculty

**Phone:** +44 (0)20 7920 8646

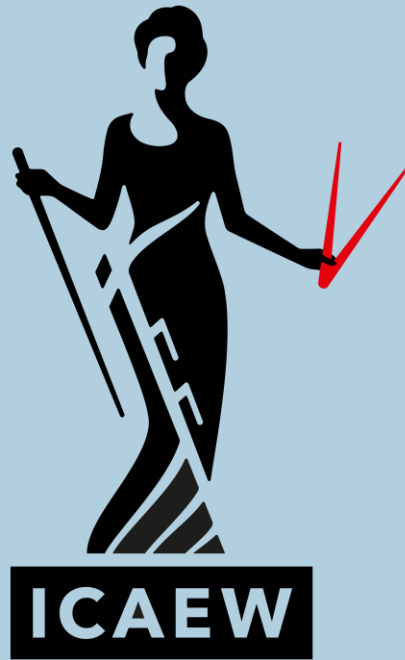
**Email:** [taxfac@icaew.com](mailto:taxfac@icaew.com)

**Web:** [icaew.com/taxfac](http://icaew.com/taxfac)

This webinar is presented by the Tax Faculty. Tax Faculty membership gives you access to exclusive premium resources including our regular magazine, webinars, discount on events and conferences and extensive online resources to support your career.

For more information about faculty membership and our latest joining offers, please visit [icaew.com/jointf](http://icaew.com/jointf) or for more information about Faculties Online, please visit [icaew.com/subscribefo](http://icaew.com/subscribefo).

ICAEW will not be liable for any reliance you place on the information in this presentation. You should seek independent advice.



[icaew.com](https://www.icaew.com)