



Spring Budget 2021

Impact on individuals

In his second Budget speech, the Chancellor, Rishi Sunak announced and confirmed a number of measures that will have an impact on individual taxpayers. The most pertinent announcements are outlined in this document.

Increases to personal allowances and thresholds - and then freezing

The personal allowance will increase from £12,500 to £12,570 on 6 April 2021 and then remain frozen until April 2026. There will be similar changes for income tax and national insurance bands i.e. increased in April 2021 then frozen until April 2026. There are no changes to personal income tax rates or national insurance rates.

Other thresholds

The inheritance tax thresholds, the pensions Lifetime Allowance and the Annual Exempt Amount for Capital Gains Tax will be maintained at their existing levels until April 2026.

Dividends

Whilst there was no increase to the rate of income tax paid on dividends, the increase in corporation tax to 25% from 1 April 2023 could make dividends paid less tax efficient. A salary or bonus is usually deductible for corporation tax purposes whereas a dividend is paid out of retained profits.

As a result, owner-managed businesses could increase their net cash position by being remunerated by way of salary or bonus, in comparison to dividends from 2023/24 onwards. This change should not impact basic rate taxpayers.

Enhanced loss relief

The loss carry-back rules will temporarily be extended for unincorporated businesses that have incurred losses between 1 April 2020 and 31 March 2022, such that trading losses up to £2m per annum will be available to be offset against the previous three years' taxable profits, resulting in tax repayments from HMRC.

Extension of Covid-19 Measures

Further grants were announced for the Government's Self-Employment Income Support Scheme (SEISS). A fourth grant will be calculated based on 80% of three months' average trading profits, paid out in a single instalment and capped at £7,500. This can be claimed at the end of April and is open to any self-employed individual that has filed a 2019/20 self-assessment tax return disclosing self-employment income.

The fifth grant will have a turnover test so that those claiming will have to show that their turnover has fallen by 30% or more to obtain the grant of 80% of average trading profits. For those whose turnover has fallen by less than 30%, the grant will be capped at £2,850. The grant can be claimed from late July and further details are to be published.

Stamp Duty Land Tax

The Stamp Duty Land Tax 'holiday' for residential properties purchased under £500k has been extended to transactions completed on or before 30 June 2021. This £Nil threshold will then reduce to £250k for a further 3 months before reverting to the normal £125K again from 1 October 2021.

Please let us know if you have any questions or would like to discuss any of the above with our tax specialists. We would be happy to arrange a call.

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