



# Spring Budget 2021

## Impact on employers

In his Spring 2021 Budget speech, the Chancellor, Rishi Sunak announced and confirmed a number of measures which may impact employers. The key messages in the Budget announcement are outlined in this document.

### Extension of Covid-19 measures

The Coronavirus Job Retention Scheme will be extended to 30 September 2021, with employees continuing to be entitled to 80% of their wages for hours not worked. Employers will be required to contribute 10% in July, increasing to 20% in August and September, as the economy reopens.

Small and medium-sized employers in the UK will continue to reclaim up to two weeks of eligible Statutory Sick Pay (SSP) costs, per employee.

### National minimum wage

From 6 April 2021, the national living wage will increase to £8.91 (currently £8.72), providing an annual pay-rise of £350.

### Personal allowances and thresholds

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.

The pensions Lifetime Allowance will also remain fixed at £1,073,100.

### 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 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.

### Enterprise Management Incentive

The government will undertake a further consultation to understand whether the Enterprise Management Incentive ("EMI") scheme is fulfilling its policy objectives of assisting SMEs recruit and retain employees. It is also seeking views on whether the EMI scheme should be expanded to include high-growth companies.

### Implementation of IR35

Private sector businesses who engage contractors through intermediaries, were provided with a 12-month grace period from having to implement the new rules from 6 April 2020. As planned these new rules will now go ahead from April 2021. It is likely that one or more of these measures will impact on you as an employer.

**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.**

### Key contacts



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