



GUIDE TO TAX RATES AND ALLOWANCES BUDGET 2021

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The Extra Mile

Our goal is to help your business grow. Our friendly team have the expertise and advice to move your business to the next level. Get in touch with us to see how we can help.

	2021/22 (£)	2020/21 (£)
Income tax rates: England, Wales & Northern Ireland (non-dividend income) (note 1)		
0% - starting rate for savings only [Note 1]	Up to 5,000	Up to 5,000
20% basic rate tax	12,571 - 50,270	12,501 - 50,000
40% higher rate tax	50,271 - 150,000	50,001 - 150,000
45% additional rate tax	Above 150,000	Above 150,000
<p>Note 1: Welsh income tax rates and thresholds are subject to parliamentary approval, however the Welsh Government has made a commitment not to raise Welsh Rates of Income Tax. Therefore, Welsh taxpayers will continue to pay the same rates as their English and Northern Irish counterparts. The Income tax bands will remain frozen until tax year 2025-26.</p>		

	2021/22 (£)	2020/21 (£)
Scottish rates of income tax (non-dividend income) (note 2)		
19% - starting rate	12,571 - 14,667	12,501-14,585
20% basic rate tax	14,668 - 25,296	14,586-25,158
21% intermediate rate tax	25,297 - 43,662	25,159-43,430
41% higher rate tax	43,663 - 150,000	43,431-150,000
46% top rate	Above 150,000	Above 150,000
<p>Note 2: Scottish taxpayers pay the same tax as the rest of the UK on dividends and savings interest. Scottish income tax rates and thresholds are subject to parliamentary approval.</p>		

Income tax rates (dividend income)		
Dividend allowance	£2,000	£2,000
Dividend ordinary rate (for dividends within basic rate band)	7.50%	7.50%
Dividend upper rate (for dividends within higher rate band)	32.50%	32.50%
Dividend additional rate (for dividends above higher rate band)	38.10%	38.10%

Child benefit / guardian's allowance rates (notes 3 & 4)		
Higher rate (eldest or only child) (per week)	£21.15	£21.05
Other children	£14.00	£13.95
Guardian's allowance per week	£18.00	£17.90
<p>Note 3: An income tax charge will apply to taxpayers with 'adjusted net income' exceeding £50,000 in a tax year, when child benefit is also received by them or their partner. The charge will reduce the financial benefit of receiving child benefit for those with income between £50,000 and £60,000 and remove it completely for taxpayers with income above £60,000.</p> <p>Note 4: From January 2021, no child benefit payments are made in respect of children living overseas. This will apply to EEA migrants arriving in the UK under the new immigration system.</p>		

Personal allowances	2021/22 (£)	2020/21 (£)
Personal allowance (note 5)	12,570	12,500
Dividend allowance	2,000	2,000
Maximum married couple's allowance for those born before 6 April 1935 (note 6)	9,125	9,075
Married couple's allowance – minimum amount	3,530	3,510
Micro entrepreneurs allowance: individuals making property or trading incomes below the level of the allowance will no longer need to declare or pay tax, while those whose income exceeds the allowance have the choice of simply deducting the allowance instead of calculating their exact expenses or calculating their profits in the normal manner	Allowance - 1,000 each	Allowance - 1,000 each
Income limit for personal allowance (note 7)	100,000	100,000
Income limit for Married couple's allowance: born before 6 April 1935	30,400	30,200
Blind person's allowance	2,520	2,500
Rent-a-room relief	7,500	7,500
Transferable / shareable tax allowance for married couples and civil partners (note 8)	1,260	1,250
Personal savings allowance for basic rate tax payers – note 5	1,000	1,000
Personal savings allowance for higher rate tax payers	500	500
Personal savings allowance for additional rate taxpayers	0	0
Note 5: From 2016/17 onwards, all individuals are entitled to the same personal allowance, regardless of the individual's date of birth. This allowance is subject to the £100,000 income limit which applies regardless of the individual's date of birth.		
Note 6: This allowance is reduced by £1 for every £2 of income in excess of the income limit, but married couple's allowance will not reduce below £3,530.		
Note 7: Personal allowances are subject to the £100,000 income limit, which applies regardless of the individual's date of birth. The individual's personal allowance is reduced where their income is above this limit. The allowance is reduced by £1 for every £2 above the limit, down to zero.		
Note 8: This allowance is available to married couples and civil partners who are not in receipt of married couple's allowance. A spouse or civil partner who is not liable to income tax, or not liable at the higher or additional rates, can transfer this amount of their unused personal allowance to their spouse or civil partner. The recipient must not be liable to income tax at the higher or additional rates.		
If the couple marry or register a civil partnership, they will get the allowance on a pro-rata basis for the rest of that tax year. If one of them dies or there is a divorce or separation, the allowance continues until the end of the tax year.		

National insurance	2021/22 (£)	2020/21 (£)
Lower earnings limit, primary Class 1 (per week)	120	120
Upper earnings limit, primary Class 1 (per week)	967	962
Apprentice upper secondary threshold (AUST) for under 21s/ 25s	967	962
Primary threshold (per week)	184	183
Secondary threshold (per week)	170	169
Employment allowance (per year/employer) (note 9)	4,000	4,000
Employee's primary Class 1 rate between primary threshold and upper earnings limit	12%	12%
Employee's primary Class 1 rate above upper earnings limit	2%	2%
Married woman's reduced rate between primary threshold and upper earnings limit	5.85%	5.85%
Married woman's rate above upper earnings limit	2.00%	2.00%
Employer's secondary class 1 rate above secondary threshold	13.80%	13.80%
Class 2 rate (per week where profits are above small profits threshold)	3.05	3.05
Class 2 small profits threshold (per year)	6,515	6,475
Special Class 2 rate for share fishermen (per week)	3.70	3.70
Special Class 2 rate for volunteer development workers	6.00	6.00
Class 3 voluntary rate (per week)	15.40	15.30
Class 4 lower profits limit	9,568	9,500
Class 4 upper profits limit	50,270	50,000
Class 4 rate between lower profits limit and upper profits limit	9.00%	9.00%
Class 4 rate above upper profits limit	2.00%	2.00%
<p>Note 9: From April 2020, this will be limited to employers with an employer NIC bill below £100,000 in the previous tax year.</p> <p>Any deemed payments made to off-payroll workers do not count towards the £100,000 employers (secondary) class 1 NICs total. You cannot claim employment allowance for these workers.</p> <p>Employment allowance cannot be claimed for off-payroll workers.</p>		

Pensions	2021/22 (£)	2020/21 (£)
Annual allowance (note 10)	40,000	40,000
Lifetime allowance (note 11)	1,073,100	1,073,100
Money purchase annual allowance (note 12)	4,000	4,000
<p>Note 10: The annual allowance is a limit to the total amount of contributions that can be paid to a defined contribution pension scheme and the total amount of benefits that you can build up in a defined benefit pension scheme each year, for tax relief purposes.</p> <p>Since 6 April 2016, individuals with a high income have had a tapered annual allowance, where for every £2 of adjusted income over a threshold, an individual's annual allowance is reduced by £1. From 6 April 2020, the Tapered Annual Allowance applies for individuals with 'threshold income' of over £200,000, and 'adjusted income' of over £240,000. The annual allowance will be £4,000 for individuals with total adjusted income (including pension accrual) over £312,000.</p> <p>From April 2021, the annual allowance for individuals with total income (including pension accrual) of over £312,000 will be £4,000.</p> <p>Note 11: The lifetime allowance will remain same at the current level of £1,073,100 until April 2026.</p> <p>Note 12: The annual allowance is currently capped at £40,000, although a lower limit of £4,000 may apply if you have already started drawing a pension.</p>		

Relief's and incentives	2021/22 (£)	2020/21 (£)
Enterprise Investment Scheme (EIS) – maximum (note 13)	1,000,000	1,000,000
Venture Capital Trust (VCT) - maximum	200,000	200,000
Enterprise Management Incentive Scheme (EMI) - employee limit up to the value of £250,000 in a 3-year period	250,000	250,000
Seed Enterprise Investment Scheme (SEIS) – maximum (note 14)	100,000	100,000
Social Investment Tax Relief (SITR) – maximum	1,000,000	1,000,000
Income tax relief on EIS schemes	30%	30%
Income tax relief on VCT schemes	30%	30%
Income tax relief on SEIS schemes	50%	50%
Income tax relief on SITR schemes	30%	30%
<p>Note 13: From 6 April 2018, the annual limit is doubled to £2m, provided that any amount over £1m is invested in one or more knowledge-intensive companies.</p> <p>Note 14: Capital gains tax reinvestment relief may also be available for investments made in 2018/19 on 50% of the amount invested.</p>		

Individual Savings Account (ISA)	2021/22 (£)	2020/21 (£)
ISA (NISA) annual limit	20,000	20,000
Junior ISA investment annual limit – under 18 living in the UK	9,000	9,000
Child value of Child Trust Fund annual limit	9,000	9,000
Lifetime ISA annual limit (note 15)	4,000	4,000
<p>Note 15: To open a Lifetime ISA you must be 18 or over but under 40. Contributions can be made until age 50. The government will add a 25% bonus to the savings, up to a maximum of £1,000 per year. The lifetime ISA limit of £4,000 counts towards the annual ISA limit.</p>		

Capital gains tax	2021/22 (£)	2020/21 (£)
Rate		
- basic rate tax payer	10%	10%
- higher rate tax payer	20%	20%
Gain on sale of residential property		
- basic rate tax payer	18%	18%
- higher rate tax payer	28%	28%
Annual exemptions – individuals (per year)	12,300	12,300
Certain trusts for disabled persons (per year)	6,150	6,150
Business Assets Disposal Relief lifetime limit (note 17)	1,000,000	1,000,000
Investors' Relief lifetime limit	10,000,000	10,000,000
Entrepreneurs/Investors Rate	10%	10%
Chattels exemption	6,000	6,000
Note 16: Annual exemption of £12,300 is frozen until tax year 2025-26.		
Note 17: Business Assets Disposal Relief (formerly Entrepreneurs' Relief) lifetime limit reduced from £10m to £1m for disposals made on or after 11 March 2020.		

Inheritance tax	2021/22 (£)	2020/21 (£)
Single persons nil-rate band	1 - 325,000	1 - 325,000
Single persons 40% band	over 325,000	over 325,000
Residence nil-rate band (RNRB) – maximum (note 18)	175,000	175,000
Reduced rate (note 19)	36%	36%
IHT Rate (for chargeable lifetime transfers)	20%	20%
Married couples or civil partnerships allowance nil rate band	650,000	650,000
Gifts to charities	Exempt	Exempt
Small gifts to same person	250	250
General gifts- annual exemption	3,000	3,000
Wedding gifts from:		
Parent	5,000	5,000
Grandparent/party	2,500	2,500
Other person	1,000	1,000
<p>Note 18: The RNRB is available in respect of a main residence given away to children (including adopted, foster or stepchildren). Any unused nil-rate band transfers to the deceased's spouse or civil partner, even where death predates the availability of the additional threshold. It applies in addition to the existing nil-rate band (NRB) or threshold (currently £325,000) if the individual and estate meet the qualifying conditions.</p> <p>Note 19: The estate can pay inheritance tax at a reduced rate of 36% on some assets if you leave 10% or more of the net value to charity in your will.</p>		
Business Property Relief		
Business or interest in a business and transfer if unquoted shareholdings	100%	100%

Taxation of trusts	2021/22 (£)	2020/21 (£)
Accumulation or discretionary trusts:		
Trust income up to £1,000 – dividend type income (note 20)	7.50%	7.50%
Trust income up to £1,000 – all other income	20%	20%
Trust income over £1,000 – dividend type income (note 20)	38.10%	38.10%
Trust income over £1,000 – all other income	45%	45%
Interest in possession trusts:		
Dividend type income	7.50%	7.50%
All other income	20%	20%
<p>Note 20: Trustees do not qualify for the dividend allowance. This means trustees pay tax on all dividends depending on the tax band they fall within.</p>		

Corporation tax	2021/22 (£)	2020/21 (£)
All profits and gains (excluding determination agreements and diverted profits) (note 21)	19%	19%
S455 tax on all loans made by close companies to participator	32.50%	32.50%

Note 21: Corporation tax rate will remain at 19% until March 2023. From April 2023, the main rate will increase to 25% for business profits made by the company over £250,000. A small profits rate (SPR) will also be introduced for companies with profits of £50,000 or less so that they will continue to pay Corporation Tax at 19%. Companies with profits between £50,000 and £250,000 will pay tax at the main rate reduced by a marginal relief providing a gradual increase in the effective Corporation Tax rate.

Capital Allowances	2021/22 (£)	2020/21 (£)
Main writing down allowance (reducing balance)	18%	18%
Special rate writing down allowance (reducing balance)	6%	6%
Structures and Buildings allowance (SBA)	2%	3%
Motor cars if CO ₂ → 50g/km but does not exceed 110g/km	6%	18%
Motor cars if CO ₂ → 110g/km (note 1)	6%	6%
FYA – New and unused motor cars if CO ₂ emissions are 50 g/km or less (or car is electric) (note 22)	100%	100%
Small pool write-off where WDV is £1,000 or less	100%	100%
First-year allowances for electric charge points (note 23)	100%	NA
Annual investment allowance (AIA) (note 24)	1,000,000	1,000,000
Annual investment allowance	100%	100%

Note 22: From April 2021, the thresholds for FYA will be reduced from 50g/km to 0g/km. Main rate of 18% capital allowance will be applicable for business cars with CO₂ emissions not exceeding 50g/km. Business cars with CO₂ emissions exceeding 50g/km will be eligible for writing-down allowance at the special rate of 6%.

Note 23: The allowance will be available until 31 March 2023 for incorporated businesses and 5 April 2023 for unincorporated businesses.

Note 24: From 1 January 2019 the annual investment allowance is increased from £200,000 to £1m for investment made from 1 January 2019. This is temporarily extended until 31 December 2021. The threshold will revert back to £200,000 from 1 January 2022.

Research and Development Tax Credit Rates	2021/22 (£)	2020/21 (£)
SME Rate	230%	230%
Research and development SME payable credit (note 25)	14.5%	14.5%
Research and development expenditure credit (RDEC) scheme – 12% from 1 January 2018	12%	13%
Film/High-end TV/ Videogames tax relief	25%	25%
Open ended investment companies and authorised unit trusts	20%	20%

Note 25: For accounting periods beginning on or after 1 April 2021, the amount of SME payable R&D tax credit that a business can receive in any one year will be capped at £20,000 plus three times the company's total PAYE and NICs liability.

Patent Box	2021/22 (£)	2020/21 (£)
Patent box Note 1	10%	10%

Tax and Travel

MILEAGE RATES

Changes to the HMRC business mileage rates are announced from time to time. The fuel only advisory rates below relate to company cars only and apply from 1 March 2021.

Car – fuel only advisory rates	Engine capacity	Petrol	Diesel	LPG
	1400cc or less	10p	9p	7p
	1401cc to 1600cc	12p	9p	8p
	1601cc to 2000cc	12p	11p	8p
	Over 2000cc	18p	12p	12p

For those using their own vehicle the following mileage allowance payments apply.

Vehicle	First 10,000 miles	Thereafter
Car/van	45p	25p
Motorcycle	24p	24p
Bicycle	20p	20p

CAR BENEFITS

2021/22	Cars registered pre 6.4.20	Cars registered after 5.4.20
CO2 emissions (g/km)	% of list price taxed	% of list price taxed
0	1	1
1-50		
Electric range		
130 or more	2	1
70-129	5	4
40-69	8	7
30-39	12	11
Under 30	14	13
51-54	15	14
For every extra 5	+1	+1
160 and above	37	n/a
165 and above	n/a	37

For fully diesel cars generally add a 4% supplement (unless the car is registered on or after 1 September 2017 and meets the Euro 6d emissions standard) but the maximum is still 37%. For emissions over 75g/km if the CO2 figure does not end in a 5 or a 0 round down to the nearest 5 or 0.

VAT	2021/22 (£)	2020/21 (£)
Standard rate (note 26)	20%	20%
Reduced rate	5%	5%
Zero rate	0%	0%
Flat rate of VAT on gross turnover (For Limited Cost Trader)	16.5%	16.5%
Normal scheme registration threshold	85,000	85,000
Deregistration threshold	83,000	83,000
Cash accounting scheme - maximum to join	1,350,000	1,350,000
Cash accounting scheme - exit threshold	1,600,000	1,600,000
Annual accounting scheme - maximum to join	1,350,000	1,350,000
Annual accounting scheme - exit threshold	1,600,000	1,600,000
Flat rate scheme - maximum allowed to join	150,000	150,000
Flat rate scheme exit threshold	230,000	230,000

Note 26: Due to the Coronavirus pandemic, the hospitality, holiday accommodation and attractions industry can apply a reduced rate of 5% for certain supplies made between 15 July 2020 and 30 September 2021. Further the rates for these sectors will be 12.5% until 31 March 2022 before they are back to normal standard rate of VAT 20%.

Annual Tax on Enveloped Dwellings (ATED)	2021/22 (£)	2020/21 (£)
More than £0.5m but not more than £1m	3,700	3,700
More than £1m but not more than £2m	7,500	7,500
More than £2m but not more than £5m	25,300	25,200
More than £5m but not more than £10m	59,100	58,850
More than £10m but not more than £20m	118,600	118,050
More than £20m	237,400	236,250

March 2021

ACCA LEGAL NOTICE

This is a basic guide prepared by the ACCA UK's Technical Advisory Service for members and their clients. It should not be used as a definitive guide, since individual circumstances may vary. Specific advice should be obtained, where necessary.

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