Enews - November 2021

In this month's Enews we consider the Chancellor's Autumn 2021 Budget announcements, as well as reactions from business groups and other experts.

With guidance on changes to the payment schedules for residential capital gains tax, applications for freeport businesses and heat pumps, there is a lot to update you on.

Chancellor delivers Budget to lay foundation for a strong economy

On 27 October, Chancellor Rishi Sunak delivered a Budget to ensure the UK economy bounces back following the coronavirus (Covid-19) pandemic.

The Chancellor announced that total departmental spending will grow by £150 billion per year in cash terms by 2024/25, marking the largest real term increase in overall departmental spending for any Parliament this century.

Public research and development (R&D) investment will increase to a record level of £20 billion by 2024/25. Combined with R&D tax reliefs, which the government intends to modernise and refocus, total government R&D support as a proportion of GDP is forecasted to increase from 0.7% in 2018 to 1.1% in 2024/25.

The Chancellor unveiled a new temporary business rates relief in England for 2022/23 for eligible retail, hospitality and leisure properties, worth almost £1.7 billion. The government stated that the reform of business rates will make the system fairer, more responsive and more supportive of investment.

Mr Sunak also announced significant changes to fuel duty and alcohol duties: fuel duty will be frozen at 57.95p per litre for 2022/23, and drinks will be taxed in proportion to their alcohol content, making the system *'fairer and more conducive to product innovation in response to evolving consumer tastes'*.

Meanwhile, the government will give £11.5 billion to help build up to 180,000 affordable homes, whilst an additional £4.7 billion will be invested in the core schools budget in England.

The Chancellor also confirmed that the government will increase the National Living Wage to £9.50 per hour from April 2022 and cut the Universal Credit taper rate from 63p to 55p.

Internet link: GOV.UK speeches

Business groups give mixed response to Budget

Business groups gave a mixed response to Chancellor Rishi Sunak's 2021 Autumn Budget speech.

Responding to the speech, the Confederation of British Industry (CBI) said that the Chancellor had shown a willingness to listen to business with measures that will help firms innovate and the economy grow.

However, Tony Danker, Director General of the CBI, warned:

'This Budget alone won't seize the moment and transform the UK economy for a post-Brexit, post-Covid world. Businesses remain in a high-tax, low-productivity economy with concerns about inflation.'

Meanwhile, the Federation of Small Businesses (FSB) also voiced concerns over the Chancellor's Budget announcements.

Mike Cherry, National Chair of the FSB, said:

'This Budget has delivered some measures that should help to arrest the current decline in small business confidence.

'But against a backdrop of spiralling costs, supply chain disruption and labour shortages, is there enough here to deliver the government's vision for a low-tax, high-productivity economy? Unfortunately not.'

The British Chambers of Commerce (BCC) welcomed the changes to the business rates system in England. Shevaun Haviland, Director General of the BCC, commented:

'The Chancellor has listened to Chambers' long-standing calls for changes to the business rates system and this will be good news for many firms. This will provide much needed relief for businesses across the country, giving many firms renewed confidence to invest and grow.'

Internet links: CBI press release BCC press release FSB press release

IFS predicts millions to be worse off next year due to tax rises

The Institute for Fiscal Studies (IFS) has predicted that millions of people will be worse off in 2022 as a result of spiralling costs and tax rises.

Responding to the Autumn Budget, the IFS predicted that low-income families will be squeezed by a rise in the cost of living. The Office for Budget Responsibility (OBR) recently warned that the cost of living is set to rise at its fastest rate in 30 years.

The IFS stated changes to income tax and National Insurance, alongside rising household bills, will mean slow growth in living standards.

Paul Johnson, Director of the IFS, said:

‘With, in the words of the OBR, inflation quite possibly hitting its ‘highest rate in the UK for three decades’, millions will be worse off in the short term. Next April benefits will rise by just over 3%, but inflation could easily be at 5%. That will be a real, if temporary, hit of hundreds of pounds a year for many benefit recipients.

‘We are not at 1970s levels of inflation, but we are now experiencing enough inflation that real pain will be felt as low income households – most of whom have next to nothing in the way of financial assets – wait more than a year for their incomes to catch up. For some in work that may never happen.’

Internet link: IFS website

Payment period on residential CGT is doubled

The government has doubled the period for filing and payment of capital gains tax (CGT) on residential property from 30 days to 60 days.

The measure was announced by Chancellor Rishi Sunak in the recent Autumn Budget.

The change applies from 27 October 2021. It sees the deadline for residents to report and pay CGT after selling UK residential property increase from 30 days after the completion date to 60 days.

For non-UK residents disposing of property in the UK, this deadline will also increase from 30 days to 60 days. When mixed-use property is disposed of by UK residents, legislation will also clarify that the 60-day payment window will only apply to the residential element of the property gain.

The Treasury says that these changes will ensure that taxpayers have sufficient time to report and pay CGT, as recommended by the Office of Tax Simplification (OTS). The Association of Accounting Technicians (AAT) has campaigned for this change for the past 18 months.

Phil Hall, Head of Public Affairs and Public Policy at the AAT, said:

'It's a common-sense measure that helps taxpayers and their accountants whilst maintaining increased revenue for the Exchequer. Very pleased that HM Treasury and HMRC took on board the views of our members and changed their position accordingly.'

Internet links: GOV.UK publications LinkedIn

FSB warns tax rises 'threaten recovery from pandemic'

The Federation of Small Businesses (FSB) has warned that tax rises could threaten the UK's ongoing recovery from the Covid-19 pandemic.

According to the FSB, small businesses are coming up against 'unprecedented strain', with the cost of doing business higher than ever. Small businesses are also being affected by disruption to supply chains and increasing costs, the business group said.

Following the end of the Coronavirus Job Retention Scheme, it has called for the government to focus on helping employers create jobs. The FSB also urged the government to generate new schemes to help fill skills shortages.

Mike Cherry, National Chair of the FSB, said:

'It's disappointing to see that more is not being done to tackle employment costs which are a huge drain on small businesses.

'Increasing the Employment Allowance would help protect the smallest employers who are being hit hard by the end of furlough and the NICs rise. The government should also expand Small Business Rates Relief to premises with a rateable value of £25,000, removing an additional 200,000 small firms from the scope of this tax.'

Internet link: FSB press release

Applications now open for freeports

Businesses that are planning to operate in the UK's new freeports can now apply to HMRC.

The tax authority has published the application forms to operate special customs procedures within the sites, along with further guidance on procedures for declaring goods moving into and out of sites.

Freeports are areas that benefit from a range of tax and other incentives, including a suspension from customs duties for imported goods and less burdensome customs procedures.

HMRC is now accepting applications to use freeport customs special procedures. The application form, which can be downloaded from gov.uk, must be emailed or posted to HMRC once completed.

An application can be made by businesses that have a provisional agreement in place with a freeport customs site operator to store or process goods at a freeport customs site. An application may not be necessary if the business uses existing customs special procedures.

To complete the form, businesses will need, among other things, their Economic Operator Registration and Identification (EORI) number, company registration number (if a company), tax reference numbers and contact details.

Internet link: GOV.UK

Pensions experts say a minimum of £10,900 a year needed to retire

A single person will need post-tax annual income of £10,900 for a minimum standard of living in retirement, according to the Pensions and Lifetime Savings Association (PLSA).

The minimum retirement living standard is based on the Joseph Rowntree Foundation's Minimum Income Standard and covers a typical retiree's basic needs plus enough for some social activities, such as a week of holiday in the UK, eating out once a month, but not including running a car.

That spending budget increases to £16,700 for a couple and also includes subscriptions and services such as getting a haircut.

The moderate retirement living standard includes a two-week holiday in Europe and more frequent eating out. This was assessed to require a budget of £20,800 for a single person, £600 higher than two years ago, and £30,600 for a couple, up £1,500.

The annual budget needed for a comfortable retirement living standard has increased since 2019 by £600 to £33,600 for one person and £2,200 to £49,700 for a couple.

This covered items such as regular beauty treatments, theatre trips and annual maintenance and servicing of a burglar alarm.

Nigel Peaple, Director of Policy and Advocacy at the PLSA, said:

'The pandemic has emphasised the importance of economic security as well as social and cultural participation in retirement.

'We hope the updated standards will encourage people to think about whether they are saving enough for the retirement lifestyle they want and, in particular, whether they are making the most of the employer contributions on offer in their workplace pension.'

Internet links: PLSA website

Heat pump grants worth £5,000 will help replace gas boilers

Homeowners in England and Wales will be offered subsidies of £5,000 from next April to help them to replace old gas boilers with low carbon heat pumps.

The grants are part of the government's £3.9 billion plan to reduce carbon emissions caused by heating homes and other buildings.

It is hoped no new gas boilers will be sold after 2035. The funding also aims to make social housing and public buildings more energy efficient.

However, experts have stated that the budget is too low and the strategy not ambitious enough. Ministers say the subsidies will make heat pumps a comparable price to a new gas boiler, but the £450 million being allocated for the subsidies over three years will cover a maximum of just 90,000 pumps.

Matthew Fell, Chief Policy Director at the Confederation of British Industry (CBI), said:

'£5,000 heat pump grants will help get the ball rolling when it comes to decarbonising homes across the UK. The government's Heat and Buildings Strategy provides a golden opportunity for both the public and private sector to pick up the pace of progress to net zero.

'There's no doubt that the scale of the challenge is considerable. These welcome measures – including the 2035 phase out of new gas boilers – will help consumers and business better prepare to change the way they heat their homes and buildings.'

Internet links: GOV.UK CBI website