Butt Miller

Chartered Accountants

Budget 2021

What does mean it for Individuals?

In 2019 the Tory election manifesto committed to not increasing income tax, National Insurance and VAT rates within the next term. Whilst it would be understandable given the last 12 months that this promise might need to be broken, Sunak skated around the issue by announcing a freeze on the personal allowance and higher rate threshold for the next 5 years.

The triple lock leaves Capital Gains Tax, Inheritance Tax and Stamp Duties in the armory for raising taxes from individuals. None of these taxes were changed this week either, but the allowances for Capital Gains Tax and Inheritance Tax have been frozen for the next 6 years.

Balancing the books seems to be currently relying on the huge increase in the headline rate of Corporation Tax. However, with the Autumn statement due in November, we may yet see more changes for personal tax.

Pension funding

The anticipated hit on the rate of tax relief given on pension contributions did not materialise, but the Lifetime Allowance has been frozen at £1,073,100 for the next 5 years.

The lifetime allowance was introduced in 2006 as part of the general overhaul of pensions in that year. The original limit was £1,000,000, so in real terms the value of a pension pot is now substantially lower than the equivalent 15 years ago. Aside from the obvious impact on the amount that can be put into the scheme and attract tax relief each year, a substantial pension pot will be in danger of triggering the 55% tax rate that applies to funds in excess of the Allowance.

If you are sitting on a pension pot that is holding in excess of £900,000 at this time, you will need to seek advice from a specialist on managing your existing pot and diversifying your approach to saving for retirement.

Self Assessment Penalty regime

We have been promised a change in approach to the penalty regime for income tax Returns, which will be based on the current "points" system that is used for VAT returns.

The existing penalty system for Self Assessment of a flat rate charge to apply on the first default has long been considered unfair, particularly in cases where there is little or no tax payable. The new regime will give a pass on the first failure to submit a return on time, but continued or repeated failures will incur proportionate penalties. The new system is going to be introduced for the 2023/24 tax year for businesses and property owners, and the following year for other Self Assessment Returns.

How we can help?

Please contact us if you would like further advice.

Butt Miller
92 Park Street
Camberley
Surrey
GU15 3NY

biggerpicture@buttmiller.co.uk

01276 25542

www.buttmiller.co.uk

Disclaimer

This document is intended to serve as general guidance only and does not constitute legal advice. The application and impact of laws can vary widely based on the specific facts involved. This document should not be used as a substitute for consultation with professional legal or other competent advisers. Before making any decision or taking any action, you should consult your contact at Butt Miller.

In no circumstances will Butt Miller be liable for any decision made/not made or action taken/not taken in reliance on the information contained within this document or for any consequential, special or similar damages, even if advised of the possibility of such damages.

March 2021