

Tax rates and related information

2021



BUDGET
HM TREASURY

 **Smith & Williamson**

Income tax rates

Different rates and bands apply to non-savings and non-dividend income of 'Scottish taxpayers'.

The 2020/21 and 2021/22 Welsh rates of income tax for 'Welsh taxpayers' have been set such that the overall rates are as below.

Rate %	Taxable income 2020/21 £	Taxable income 2021/22 £
0 (1)	Up to 5,000	Up to 5,000
20 (2)	Up to 37,500	Up to 37,700
40 (3)	37,501 - 150,000	37,701 - 150,000
45 (4)	Over 150,000	Over 150,000

(1) Starting rate applies to savings income only.

(2) 7.5% for dividend income.

(3) 32.5% for dividend income.

(4) 38.1% for dividend income.

Rate of income tax for discretionary trusts: 38.1% for dividend income
45% for non-dividend income

Capital gains tax

Tax rates

	2020/21	2021/22
Individuals - basic rate (1)	10%	10%
Individuals - higher/additional rate (1)	20%	20%
Trusts and personal representatives (1)	20%	20%
Companies	see CT rates	see CT rates

Annual exempt amounts

Individuals and personal representatives	£12,300	£12,300
Trusts (maximum)	£6,150	£6,150
Chattels proceeds exemption	£6,000	£6,000

Capital gains tax business asset disposal relief

Lifetime limit (entrepreneurs)	£1,000,000	£1,000,000
Lifetime limit (external investors)	£10,000,000	£10,000,000
Rate	10%	10%

(1) An 18%/28% rate applies to disposals of residential property and carried interest.

Income tax allowances

Allowance	2020/21 £	2021/22 £
Personal allowance (1)	12,500	12,570
Transferable tax allowance (2)	1,250	1,260
Personal savings allowance		
Basic-rate tax payers	1,000	1,000
Higher-rate tax payers	500	500
Additional-rate tax payers	0	0
Dividend allowance	2,000	2,000
Married couple's allowance (MCA) (3)		
Allowance	9,075	9,125
Minimum amount	3,510	3,530
Income limit for MCA (4)	30,200	30,400
Blind person's allowance	2,500	2,520
'Rent-a-room'	7,500	7,500

(1) Personal allowance is reduced by £1 for every £2 exceeding £100,000 of 'adjusted net income'. This is irrespective of age.

(2) Neither spouse or civil partner liable at higher or additional rates, and not in receipt of MCA.

(3) If one spouse/civil partner born before 6 April 1935. Relief is restricted to a 10% tax credit.

(4) MCA is reduced by £1 for every £2 of 'adjusted net income' over this limit, until reduced to the minimum amount (but also see note (1)).

Remittance basis charge

	2021/22 £
UK resident for fewer than 7 of the past 9 tax years	nil
UK resident for at least 7 of the past 9 tax years	30,000
UK resident for at least 12 of the past 14 tax years	60,000
UK resident for at least 15 of the past 20 tax years (1)	nil

(1) Taxpayers resident for at least 15 of the past 20 tax years will be deemed domiciled for income tax, capital gains tax and inheritance tax.

Inheritance tax

	2021/22
Tax rates	
Estate	40%
Reduced rate (leaving 10% or more to charity)	36%
Lifetime transfer	20%
Nil rate bands	
Nil rate band limit (1)	325,000
Residential nil rate band limit (1)	175,000
Exempt amounts	
Annual exemption	3,000
Small gifts exemption	250
Wedding gifts exemption (Gifts made by)	
- parent	5,000
- more remote ancestor	2,500
- party to marriage	2,500
- other person	1,000

(1) Unused proportion can be transferred to surviving spouse or civil partner.

Inheritance tax tapering relief

Rates for transfers on death also apply to gifts within seven years of death subject to tapering relief.

Years between gift and death	Reduction in charge
0 - 3	NIL
3 - 4	20%
4 - 5	40%
5 - 6	60%
6 - 7	80%

Tax-privileged pension savings

	2021/22
Lifetime allowance	1,073,100
Money purchase annual allowance	4,000
Contributions: tax relief given up to higher of	- £3,600; or - 100% of relevant earnings (capped at £40,000) (1)
Maximum tax-free lump sum (up to a maximum of 25% of the lifetime allowance)	25% of the fund

(1) The allowance is reduced by £1 for every £2 of income above £240,000 subject to a minimum allowance of £4,000.

ISA limits

	2020/21 £	2021/22 £
ISA subscription limit	20,000	20,000
Junior ISA limit	9,000	9,000
Child trust fund subscription limit	9,000	9,000

High income child benefit charge

	Weekly £	Annual £
2020/21		
Eldest/Only child	21.05	1,094.60
Other children	13.95	725.40
2021/22	£	£
Eldest/Only child	21.15	1,099.80
Other children	14.00	728.00

For taxpayers with annual income between £50,000 and £60,000, a charge of 1% of the benefit applies for every £100 of income over £50,000 per year (100% if over £60,000) for each week they, or their partner, are in receipt of child benefit.

Other information can be found on our website at:

smithandwilliamson.com

Corporation tax

Financial year from	1 April 2020	1 April 2021
Tax rate	19%	19%

Capital allowances

	2020/21	2021/22
Plant and machinery		
- annual investment allowance (1)	£1m/£200k	£1m/£200k
- main rate pool (2)	18%	18%
- long life assets (2)	6%	6%
- integral features (2)	6%	6%
- structures and buildings (2)	3%	3%
- enhance first year allowance (3)	N/A	130%/50%
Cars - CO ₂ emissions up to 50g/km (4)	100%	18%
Cars - CO ₂ emissions 51-110g/km	18%	6%
Cars - CO ₂ emissions over 110g/km	6%	6%

(1) 100% annual investment allowance (AIA) up to stated limit for qualifying expenditure incurred on certain plant and machinery for each unlinked unincorporated business or corporate group. An AIA of £1,000,000 will apply to investments made from 1 January 2019 until 31 December 2021.

(2) Reducing balance.

(3) A temporary enhanced 130% first-year allowance for main rate assets and 50% first-year allowance for special rate assets will apply for qualifying assets purchased between 1 April 2021 and 31 March 2023. The relief is only available for companies within the charge to corporation tax.

(4) From 1 April 2021, only electric cars, or cars with zero emissions, will qualify for 100% relief.

Value added tax

2020/21 and 2021/22	
Standard rate	20%
Reduced rate	5%
VAT fraction (where included in cost)	1/6
Registration threshold	£85,000
De-registration threshold	£83,000

Optional flat-rate scheme for small businesses is available.

Research and development tax relief

Rates for deduction from	1 Apr 2020	1 Apr 2021
SME rate	230%	230%

Tax credit rates	1 Apr 2020	1 Apr 2021
SME rate (surrender of losses)	14.5%	14.5%
Large company (taxable RDEC)	13%	13%

Patent box

	2020/21	2021/22
Effective rate on qualifying IP rights	10%	10%

Annual charge on enveloped dwellings

The normal return and payment dates are 30 April in the year of assessment or 30 days from in year acquisition.

Property value	2020/21 (1)	2020/22 (1)
£500,000 - £1 million	£3,700	£3,700
£1 million - £2 million	£7,500	£7,500
£2 million - £5 million	£25,200	£25,300
£5 million - £10 million	£58,850	£59,100
£10 million - £20 million	£118,050	£118,600
More than £20 million	£236,250	£237,400

(1) At 1 April 2017 or date of purchase if later.

Stamp duty land tax

Land and Buildings Transaction Tax replaced SDLT in Scotland from 1 April 2015.

Land Transaction Tax replaced SDLT in Wales from 1 April 2018.

Percentages applying on the acquisition of property in the UK

Residential consideration £	Band at %	Non-residential consideration £	Band at %
0 - 125,000 (1)	NIL*	0 - 150,000	NIL
125,001 - 250,000 (1)	2*	150,001 - 250,000	2
250,001 - 925,000 (1) (2)	5*	Over 250,000	5
925,001 - 1,500,000 (2)	10*		
Over 1,500,000 (2)	12*		

(1) A 0% rate will apply on the first £500,000 on purchases of residential property between 1 April 2021 and 30 June 2021. A 0% rate will apply on the first £250,000 on purchases of residential property between 1 July 2021 and 30 September 2021.

(2) A 15% rate will apply where residential property is purchased through a company or certain other structures where value exceeds £500,000.

* An additional SDLT surcharge of 3% will apply on the purchase of a second, or subsequent residential property.

* An additional SDLT surcharge of 2% will apply for non-UK residents purchasing residential property in England and Northern Ireland.

Percentages applying on the rental stream arising from the grant of a new lease in the UK

Residential relevant rental value £	Band at %	Non-residential relevant rental value £	Band at %
0 - 125,000	NIL	0 - 150,000	NIL
Over 125,000	1*	150,001 - 5,000,000	1*
		Over 5,000,000	2*

*The tax rate only applies to the relevant rental value which exceeds the nil rate band.

Stamp duty

Stamp duty was abolished from 1 December 2003 on all transactions except for the following.

- Transfer of shares and securities* (rate unchanged at 0.5%).
- Certain transactions involving partnership land.

*From 28 April 2014 shares quoted on 'growth markets' such as AIM are not subject to stamp duty.

Car and fuel benefits 2021/22

Cars	
Minimum (1)	15% of list price (emissions level 51g/km CO ₂) (lower rates where emissions between 1g/km and 50g/km depending on electric range)
Increments	1% for each additional 5g/km CO ₂ emissions over 51g/km CO ₂
Diesel cars	4% surcharge
Electric cars	0% of list price
Maximum	37% of list price

(1) Reduced to 14% of list price for cars first registered on or after 6 April 2020.

Emissions levels for most cars can be found on www.vca.gov.uk
CO₂ level rounded down to nearest 5g.

If no emissions rating	Registered before	Registered after
	1 Jan 98	1 Jan 98
1400cc or less	23%	23%
1401 - 2000cc	34%	34%
2001cc or more	37%	37%

Fuel

Private fuel provided with company car - percentages as above for cars x £24,600.

Approved mileage rates for business mileage in own car

Cars and vans	Per mile
0 - 10,000 miles	45p
Over 10,000 miles	25p

Advisory mileage rates for business mileage in company car

From 1 March 2021	Petrol/LPG				Diesel	
	Petrol	LPG				
1400cc or less	10p	7p	1600cc or less	9p		
1401 - 2000cc	12p	8p	1601 - 2000cc	11p		
2001cc or more	18p	12p	2001cc or more	12p		

Hybrid cars are treated as either petrol or diesel cars for this purpose.

National insurance contributions

Employees' class 1 contributions 2021/22

Total weekly earnings	Over 21s	Under 21s / Apprentice under 25
Below £184 (1)	NIL	NIL
£184 - £967	12%	12%
Over £967	2%	2%

Married women's reduced rate 5.85% on earnings between £184 and £967 per week plus 2% on earnings above £967 per week

(1) Between £120 per week and £184 per week a zero rate applies to protect employees' contributory benefit entitlement.

Employers' class 1 contributions 2021/22

Total weekly earnings	Over 21s	Under 21s / Apprentice under 25
Below £170	NIL	NIL
£170 - £967	13.8%	NIL
Over £967	13.8%	13.8%

Annual employment allowance (per employer) £4,000

Class 2 - self employed Flat rate £3.05 per week if earnings exceed £6,515 per annum

Class 3 - voluntary Flat rate £15.40 per week

Class 4 - self employed 9% of profits between £9,568 and £50,270 per annum plus 2% on the excess

Apprenticeship Levy 2020/21

Allowance (per employer)	£15,000
Rate	0.5%

Tax and Government legislation is that prevailing at the time, is subject to change without notice and depends on individual circumstances. Clients should always seek appropriate tax advice from their financial adviser before making financial decisions.

By necessity, this briefing can only provide a short overview and it is essential to seek professional advice before applying the contents.

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