



Budget 2021

VAT/SDLT/IR35

VAT

- **Registration threshold – The VAT registration and deregistration threshold will remain frozen at their present levels of £85,000 and £83,000 until 31 March 2024.**
- **This will tend to require more business to register as they grow.**
- **This represents a small tax-raising measure.**

VAT Reduce rate

- To help support from the pandemic, the VAT rate was cut from 20% to 5% in July 2020 for hospitality, leisure and entertainment. This was initially intended to expire on Jan 21, but that was extended to 31 March, and it has now been further extended to 30 Sept 2021.
- An intermediate rate of 12.5% will apply for qualifying supplies from 1 Oct 21 to 31 March 22.

VAT Reduce Rate & Deferred Payment

- No plan to introduce 'anti-forestalling' rules to counter the VAT saving for someone who pays a deposit before the rate goes up.
- Deferred VAT payment due between 20 March and 30 June 2020 was to be paid in full by 31 March 2021, but business can now apply to pay interest free instalments up to March 22. Application must be made online by 21 June 2021, but if the scheme is applied earlier, the payments can be spread over longer period. E.g. join by 21 April – 10 instalments, join by 21 June – 8 instalments.
- Taxpayers needs to apply, agent cannot do this.

Default Surcharge and MTD

- HMRC has announced reform of penalties system for late submission and payment of VAT.
- Will be implemented over the next 3 years. Starting with period from 1 April 2022.
- HMRC will issue a single penalty point for a late submission of a VAT return and, once the business has exceeded a points threshold for multiple missed returns, a flat penalty of £200 will be imposed for each late return.
- Late payment penalties – this will be a two-part penalty. The first charge 2% of the outstanding tax if remains unpaid 15 days after its due date. The penalty increases to 4% still unpaid after 30 days. The second charge is a daily penalty starting from 31 days after its due date at 4% per year on o/s amount.
- Late payment interest –calculated at 2.5% above BoE base rate. Payable on tax o/s after due date for a return.
- Budget confirms all VAT registered business, including those currently trading below the registration threshold, to be brought within the MTD reporting system with effect from 1 April 2022.

SDLT

- Extension of 'holiday'
- The threshold for residential property was temporarily raised to £500,000 with transaction to complete by 31 March 2021. This has now been extended to 30 June 2021. Threshold comes down to £250,000 for transactions between 1 July and 30 Sept 2021. It will revert to normal level of £125,000 from 1 October and 2% charge apply between £125,000 to £250,000. E.g. SDLT on £1m property will be £28,750 if completed before 30 June. It will cost £41,250 between July to Sept and increases to £43,750 thereafter. This is based on individual UK resident buying only and main freehold residence.
- Non resident will be subject to a 2% surcharge on SDLT with effect from 1 April 2021 on freehold and leasehold purchase. Where the 2% surcharge is paid but within two years of the effective date of the transaction the purchaser becomes UK resident, a claim for relief and refund of the surcharge element can be made.

IR35

- IR 35 rules for large and medium sized business was applicable from April 2020. Due to pandemic this was delayed to 6 April 2021. There are no further amendments to the rules, so this will be introduced as planned.
- All public sector authorities and medium and large-sized private sector clients will be responsible for deciding if the rules apply.
- If a worker provides services to a small client in the private sector, the worker's intermediary will remain responsible for deciding the worker's employment status and if the rules apply.
- You can use the HMRC [Check Employment Status for Tax](#) service to help you decide if the off-payroll working rules apply.

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Questions & Answers Session