



Spring Budget 2021

Corporation tax rates

	1 April 21 – 31 March 23	1 April 23 onwards
Main rate	19%	25%
Small profits rate	N/A	19%
Lower threshold	-	£50K
Upper threshold	-	£250K

- For associated companies or short accounting periods – profit threshold will be reduced
- Example -5 companies in the group, LT-£10K & UT-£50K

CORPORATE TAX

Impact of increase in corporation tax main rate to 25%

- For higher rate & additional rate taxpayers- dividends less attractive
- For basic rate taxpayers - dividends still tax efficient
- For every £100 of profit extracted by way of dividend or salary/bonus

	Dividend £	Salary/Bonus £	LLP £
Higher rate taxpayer	50.63	50.97	58.00
Additional rate taxpayer	46.43	46.57	53.00

- LLP may well be more tax-efficient than a company for higher rate & additional rate taxpayers
- If profits are retained - different result

CORPORATE TAX

Extended loss carry-back

- Existing trade loss carry-back provisions extended from one year to three years
- Carried back against later year profits first
- Applies to losses from 1 April 2020 to 31 March 2022
- 12 month loss carry-back unrestricted
- Maximum of £2,000,000 per annum available for earlier two years
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- £2,000,000 cap subject to group-level limit

Consider carrying back losses for repayment at 19% or carry-forward to use against future profits at 25%.

CORPORATE TAX

Extended loss carry-back

Example

A trading company has the following results:

Y/E March 22	(£4,000K)
Y/E March 21	(£1,000K)
Y/E March 20	£1,500K
Y/E March 19	£2,000K
Y/E March 18	£2,000K

Old rules

Only relief for £1,000k in FY 2020 with £4,000K losses carried forward.

New rules

Full relief for FY 2020 and FY 2019.
No relief in FY 2018 with £1,500K losses carried forward.

Capital expenditure reliefs

Super-deduction' for plant and machinery

- 130% deduction on “main pool” plant and machinery expenditure incurred between 1 April 2021 and 31 March 2023.
- Key condition – Brand new/unused



Caution: Excluded assets

- Section 46 CAA 2001
 - Used and second hand
 - Contracts entered into prior 3 March 2021
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- Accounting period straddles at 1 April 2023 – apportioning required
 - Consider disposal rules taxable profit =disposal receipts *1.3
 - Planning points : maximise relief delay the purchase until 1 April 2021
 Deductible at 19 % & proceeds potentially taxed at 25%

Capital expenditure reliefs

'Special-rate' items

- Special rate pool items : integral features & cars >130g/km
- Temporary first year allowance of 50% (to 31 March 2023)
- Existing 6% reducing balance rate applies to remainder



Caution

- Not available for cars
- Must be new
- Not be used in a leasing trade

CORPORATE TAX

Capital expenditure reliefs

Example 1

Co spends £1m on Machinery in 2022 & disposes in 2024 for £800K

- CT saving in 2022 = £1.3m ($£1m * 130\%$) $* 19\% = £247,000$
- CT payable in 2024 = £650K ($£500K * 1.3$) $* 25\% = £162,500$

CORPORATE TAX

Capital expenditure reliefs

Example 2

Manufacturing business in Financial year to March 22 acquires:

- Machinery £2,000K
- Special rate items £1,500K

Capital allowances claim

	Old rules	New rules
Special rate items (AIA)	£1,000,000	£1,000,000
Special rate items (6%*500K / FYA-£500K*50%)	£30,000	£250,000
Machinery (18%*£2m / 130% *£2m)	£360,000	£2,600,000
Total claim	£1,390,000	£3,850,000

CORPORATE TAX

Interest and Royalties Directive

- Repeal domestic legislation so that from 1 June 2021
- UK withholding taxes on payments of interest and royalties
- Double tax treaty between UK and EU member state

Key Takeaways

- Consider **extended loss carry back** now & bank the refund at 19% or carry forward to offset against the profit taxed at 25%
- Delay Capital purchase until 1 April 2021 to maximise the capital allowances claim - **super deduction** .



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