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**End Of Tax Year
2020/21, Budget
update and looking
forward to 2021/22**



Your panelists:



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What are we covering today?

- COVID Support updates
- Action to take before 5th April 2021
- Limited Company Directors
- Sole Traders
- Other allowances
- Changes for 2021/22
- March 2021 Budget highlights
- Questions

COVID Support updates

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Government COVID-19 support available

- Coronavirus Job Retention Scheme (CJRS or furlough) - extended to September 2021
- Self-Employment Income Support Scheme (SEISS for sole traders) two more grants - newly self-employed now eligible
- Extension of 5% VAT rate for tourism and hospitality till end of April 2021
- VAT Deferral repayment (and other tax deferral and Time to Pay)
- Restart Grant scheme for businesses
- Recovery Loan Scheme to replace existing loan schemes
- 6-month Universal Credit uplift and £500 Working Tax Credit uplifts
- Business rates holiday for business with premises - three month extension from 1/4/21

[View our Covid Hub for full details](#)

CJRS (Furlough Scheme) Extended to 30th September 2021

- Extended to September 2021 - 80% support for employees still capped at £2,500
- Employers will still need to pay Employer's NI and auto-enrolment pension contributions
- Employers need to start to contribute towards unworked hours
 - 10% in July 2021
 - 20% in August and September
- Directors can claim, but still no cover for dividends
- Still need to submit claims monthly
- [View our CJRS article for full details](#)

SEISS (Self-Employed Grants) Extended to 30th September

- Two further grants, one in April (grant four) and a fifth and final grant later in the summer
- More people, many of whom became self-employed in 2019/20, may now be able to claim
- Grants may be higher or lower than previous grants as 2019/20 tax year is now taken into account
- Fourth grant up to 80% of 3 months' average trading profits, paid out in a single instalment, capped at £7,500
- Fifth Grant 80% of 3 months' average trading profits, capped at £7,500, for those with a turnover reduction of 30% or more
- 30% of 3 months' average trading profits, capped at £2,850, for those with a turnover reduction of less than 30%

[View our SEISS article for full details](#)

Preparing for the end of the 2020/21 tax year - 5th April

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2020/21 Tax Year Dividends & Salary to maximise tax-efficiency - before 5th April 2021

- Your personal allowance is £12,500 and recommended salary is £8,788*
- You can issue up to £41,212 in dividends (up to basic rate allowance)
- This would mean £2,662.50** in Income Tax due 31st January 2022

* Assuming no other income

** Need to budget for payment on account on 31st January 2022 & 31st July 2022

2020/21 Tax Year Dividends & Salary to maximise tax-efficiency - continued

The £41,212 dividend amount is broken down as follows:

- £3,712 tax free as part of your personal allowance (£12,500 less £8,788)
- £2,000 tax free as part of your dividend allowance
- Remaining £35,500 is taxed at 7.5%
- Any dividends issued over £41,212 are taxed at 32.5%

2020/21 Tax Year - Your Salary Responsibilities

- For you (this year and next year) and any employees
- Reporting your company's final Full Payment Submission to HMRC
- P60 by 31st May & P11D by 6th July 2021 - all produced in Crunch

2020/21 Tax Year - Sole Trader Responsibilities

- End of tax year is much simpler, need to ensure you've logged all your invoices and expenses!
- Cash basis - account for any invoices when actually paid, and expenses when you make a payment
- Accrual basis - account for invoices when you issue to the client, account for any expenses on date of invoice from supplier
- Can get ready for preparing your Self Assessment early



What else to do before 5th April 2021?

- Claim all your expenses
- Logging / using an app
- What can you claim? Remember “Wholly and Exclusively”
- Send all your invoices
- How long to keep receipts (six years after the end of accounting period)

[See all our expenses articles](#)



Don't Lose Your Tax Breaks

- ISAs - if you have money to invest don't lose your ISA allowance (£20,000 in the tax year)
- Pension contributions up to £40,000 tax free allowance
- Normally more tax-efficient to make pension contributions through your limited company
- You may need to take specialist advice on pensions

[Crunch's getting ready for end of tax year article](#)

What are the main tax changes for 2021/22?

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2021/22 Changes to National Insurance and tax

- Tax-free personal allowance increases to £12,570
- Basic Rate threshold for earnings increases to £50,270 (you pay 20% Income Tax on £37,700)
(there are different rules for Scottish residents)
- Primary Threshold for National Insurance increases to £9,568
- Secondary Threshold for National Insurance increases to £8,840

Sole Traders

- Small Profits Threshold for National Insurance increases to £6,515
- Lower Profits limit increases to £9,568 and Upper profits limit increases to £50,270

[Crunch Tax rates and Thresholds article](#)

2021/22 Tax-Efficient Salary For Directors

- Recommended tax-efficient salary for 2021/22 is at the Secondary NI threshold of £8,840
- Assumes no other source of income
- £4,000 Employment Allowance towards NICs available when more than one employee if you're eligible

[Crunch limited company salary article](#)

2021/22 Dividends For Directors

- Tax-free Dividend Allowance remains at £2,000
- If taking tax-efficient salary and full Basic Rate dividends, Tax payable is £15 more than 2021/22 (but total income increases £50,270)
- Basic rate - up to £41,430 in dividends and a £8,840 salary
- £2,677.50* in Income Tax to be paid by 31st January 2022

*Need to budget for payment on account due 31st January & July each year

[Crunch Dividends article](#)

Changes to IR35 rules from 6th April 2021

- New rules apply to medium and large sized private sector businesses and all public sector organisations
- End-client determines IR35 status of an assignment (not the Personal Service Company)
- End-client issues a Status Determination Statement with the IR35 status of an assignment
- If inside IR35, Fee Payer (end-client or Agency) deducts all employment taxes
- See our IR35 Hub for more information
- Try our IR35 Navigator Tool to assess your IR35 risk for free

[Crunch IR35 Hub and IR35 calculator](#)

Changes to IR35 rules from 6th April 2021 - continued

Minor changes to new rules announced on 7th February 2020 subsequently deferred as a result of the government review including:

- If an end-client is based wholly overseas, with no UK presence, the new rules do not apply
- 'Soft-landing' for first 12 months
- No looking back to previous years (except fraud or criminal behaviour)
- Only apply to services carried out after 6th April 2021
- End-clients legally obliged to respond to requests for information about their size

[Crunch IR35 Hub and IR35 calculator](#)

Changes to Corporation Tax from 6th April 2023

- Corporation Tax is frozen for 2021/22 at 19% but Chancellor announced plans to increase for larger companies from 2023
- At that time the Corporation Tax rate will remain at 19% for business profits up to £50,000, but will have a tapered increase to a main rate of 25% for profits over £250,000 from April 2023
- Further consultation is underway.



Company Cars or Vans

Sole traders - we usually only recommend claiming full costs for tools of trade vehicles, otherwise we suggest claiming [Business Mileage rates](#)

Limited companies

- Increases in Benefit in Kind rates for company cars in 2021/22 tax year with new emission rates and percentages being used for cars registered after 6th April 2020
- The Benefit in Kind (BiK) cash equivalent on fuel for a company car provided for personal use increases to £24,600 (from £24,500) multiplied by the relative BiK rate
- The BiK on company vans increases to £3,500 (from £3,490)
- BiK on fuel for a company van provided for personal use increases to £669 (from £666)

[Crunch Taxation of company cars article](#)



Student & Postgraduate Loan Repayments

Student Loans

- Plan 1 loans repayment threshold will rise to £19,895 (from £19,390)
- Plan 2 loans repayment threshold will rise to £27,295 (from £26,575)
- Plan 4 loan repayment threshold of £25,000 (Scottish students only)

Postgraduate Loan (no change thresholds for 2021/22)

- Repayment at 6% for students in England and Wales with income above £21,000
- Repayment at 9% for Scottish and Northern Ireland students with income above £18,330




[Crunch Student Loan article](#)



Other changes

- National Minimum Wage increases (to £8.91 per hour if over 23 years old)
- Capital Gains Tax annual exempt amount remains at £12,300
- Super deduction announced by the Chancellor means capital allowance of 130% can be claimed on asset purchases - more details to follow
- VAT reverse charge in the construction industry is now in effect
- VAT reduction in hospitality sector to 5% will be maintained to 30th September 2021, then rise to 12.5% after till 1st April 2022 when it goes back to 20%
- High Income Child Benefit Charge threshold remains at £50,000

Useful resources

- **Crunch Help Centre**
help.crunch.co.uk
 - We've got a comprehensive Help Centre
 - A complete video walkthrough series for Crunch
 - Huge range of helpful support articles
- **Crunch Knowledge**
crunch.co.uk/knowledge
- **Crunch social channels**
 -  @TeamCrunch
 -  @crunchaccountants
 -  @crunch-accounting

COMING SOON

**Crunch community
forum**

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Any questions?

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