

BUDGET 2021

A KEY SUMMARY FOR BUSINESSES

BRIEFING PAPER

Wednesday 3 March 2021



ABOUT THE GOVERNMENT'S 'BUDGET' AND ITS PURPOSE

The Budget follows a year of extraordinary economic challenge as a result of the ongoing COVID-19 pandemic. Like that of many other countries, the UK's economy has been hit hard, with both the direct effects of the virus and the measures necessary to control it leading to an unprecedented fall in output and higher unemployment.

The Budget sets out how the government will extend its economic support to reflect the cautious easing of social distancing rules and the reopening of the economy in the government's roadmap.

As the economy reopens, the Budget sets out the steps the government is taking to support the recovery, ensuring the economy can build back better, with radical new incentives for business investment and help for businesses to attract the capital, ideas and talent to grow.

PROTECTING JOBS AND LIVELIHOODS

Since March 2020, the Government has provided £20 billion of grants to businesses alongside over £10 billion of business rates holidays and £73 billion loans and guarantees, supporting every sector of the economy. Below is a key summary of the new and continued grants and schemes for businesses.

Key summary:

CORONAVIRUS JOB RETENTION SCHEME (CJRS)

The CJRS (furlough scheme) is to be extended until the end of September 2021. From July onwards, businesses will be asked to contribute 10% to the scheme, rising to 20% in August and September.

SELF EMPLOYED SUPPORT

Support for the self-employed will continue until September, with a fourth grant covering the period from February to April. This will provide 3 months of support at 80% of average trading profits.

A fifth and final grant will be offered from May onwards. This will also provide 3 months of average profit. The system will be open for claims from late July.

RESTART GRANTS: HOSPITALITY & LEISURE

Businesses in retail, hospitality, accommodation, leisure and personal care will be eligible for grants up to £18,000 per site. This is aimed at shops, pubs, hotels and other businesses 'most affected' by the crisis.

RESTART GRANTS: NON-ESSENTIAL BUSINESS

Non-essential retail businesses will be eligible for direct cash grants of up to £6,000 per site to help reopen and trade safely ahead of the planned lifting of restrictions on 12 April.

RECOVERY LOAN SCHEME

As the CBILS and Bounce Back loans come to an end, the Government is replacing the schemes with new funding that offers loans from £25,000 up to £10 million. The Recovery Loan Scheme will run until the end of this year.

FILM & TV PRODUCTION RESTART SCHEME

This scheme will be extended in the UK with an additional £300 million to support theatres, museums, and other cultural organisation in England through the Culture Recovery Fund.

VAT REDUCTION FOR HOSPITALITY FIRMS

A 5% reduced rate of VAT for hospitality businesses will be extended until 30 September. There will be an interim rate of 12.5% until April 2022, when the 20% rate will return.

BUSINESS RATES HOLIDAY

The business rates holiday for hospitality, leisure and retail firms will be extended until the end of June. For the remaining months of the year, a discount of two thirds will apply.

APPRENTICESHIPS AND TRAINEESHIPS

The incentive payments for businesses to hire apprentices of any age will be doubled to £3,000. Another investment worth £126 million will triple the number of traineeships.

ARMED FORCES SUPPORT

To recognise the sacrifices made by our military, the Government is supplying an additional £10 million to support veterans with Mental Health needs.

STRENGTHENING THE PUBLIC FINANCES

In the near term, continuing to support businesses, jobs and people's livelihoods up and down the country is vital to give the economy the best possible chance of rebounding as restrictions are lifted. In this section, we have summarised the key outcomes businesses need to know of.

Key summary:

CORPORATION TAX

The corporation tax rate will rise to 25% beginning from April 2023 in a bid to control the deficit. Businesses with profits of £50,000 or less, around 70% of actively trading companies, will continue to be taxed at 19%.

A tapered rate will also be introduced for profits above £50,000 so that only businesses with profits of £250,000 or greater will be taxed at the full 25% rate.

SME R&D TAX

Capping the amount of SME payable R&D tax credit that a business can receive in any one year at £20,000 (plus three times the company's total PAYE and NICs liability).

AN INVESTMENT-LED RECOVERY

As well as addressing the immediate challenges of the pandemic and the requirement to return the public finances to a sustainable path in the medium term, the government is acting now to lay the foundations for a recovery driven by the private sector that spreads investment and opportunity throughout the UK, by helping businesses to grow, and improving access to skills, capital and ideas. In this section, we summarise the key outcomes businesses need to know about investment and future schemes.

Key summary:

THE SUPER DEDUCTION

Under this new scheme, companies investing in qualifying new plant and machinery assets will benefit from a 130% first-year capital allowance. This upfront super-deduction will allow companies to cut their tax bill by up to 25p for every £1 they invest.

FUTURE FUND: BREAKTHROUGH

The £375 million UK-wide 'Future Fund: Breakthrough' will invest in highly innovative companies such as those working in life sciences, quantum computing, or clean tech, that are aiming to raise at least £20 million of funding.

REFORMS TO IMMIGRATION SYSTEM

Reforms to the immigration system will take place to help ambitious UK business attract the brightest and best international talent.

HELP TO GROW SCHEME

The new Help to Grow scheme will offer business, management and technological training to 130,000 SMEs across the UK.

ARTS, CULTURE & SPORT SUPPORT

£700 million will support the UK's arts, culture and sporting institutions as they reopen, backing the UK and Ireland's joint bid to host the World Cup in 2030.

FLOATING OFFSHORE WIND DEMONSTRATORS

£20 million will be invested to fund a UK-wide competition to develop floating offshore wind demonstrators and help support the government's aim to generate enough electricity from offshore wind to power every home by 2030.

LONG-DURATION ENERGY STORAGE PROTOTYPES

£68 million will be invested to fund a UK-wide competition to deliver first-of-a-kind long-duration energy storage prototypes that will reduce the cost of net zero by storing excess low carbon energy over longer periods.

TOWN INVESTMENT

Over £1 billion in funding for a further 45 towns in England, including Wolverhampton, through the Towns Fund, supporting their long-term economic and social regeneration as well as their immediate recovery from the impacts of COVID-19.

CLIMATE CHANGE PROJECTS

Plans for £15 billion of green gilt issuance will be coming in the financial year to help finance critical projects to tackle climate change and other environmental challenges, fund important infrastructure investment, and create green jobs across the UK.

OWNERSHIP COMMUNITY FUND

The £150 million Community Ownership Fund will allow communities across the UK to invest to protect the assets that matter most to them such as pubs, theatres, shops or local sports clubs.

UK LEVELLING UP FUND

A publication on the prospectus of the £4.8 billion UK-wide Levelling Up Fund will be available from the Government which provides guidance for local areas on how to submit bids for the first round of funding starts 2021-22.

Comments from the Black Country Chamber of Commerce

There is much to welcome in this Budget for business communities across the UK. The Chancellor has listened and acted on our calls for immediate support to help struggling businesses.

Businesses will be relieved that he has extended these critical business support schemes to match the timetables set out in the roadmap.

The furlough scheme has been a lifeline for companies across the UK and this Budget provides reassurance to businesses, provided that they are able to restart and rebuild.

However, the figures on national debt and the corporation tax increases are a sobering reminder that we have some very tough years coming up and as the details of these announcements become clearer in the coming days, we will begin to understand the size of the mountain our economy has to climb.



Get in touch with us if you have any questions with any content mentioned in this paper

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