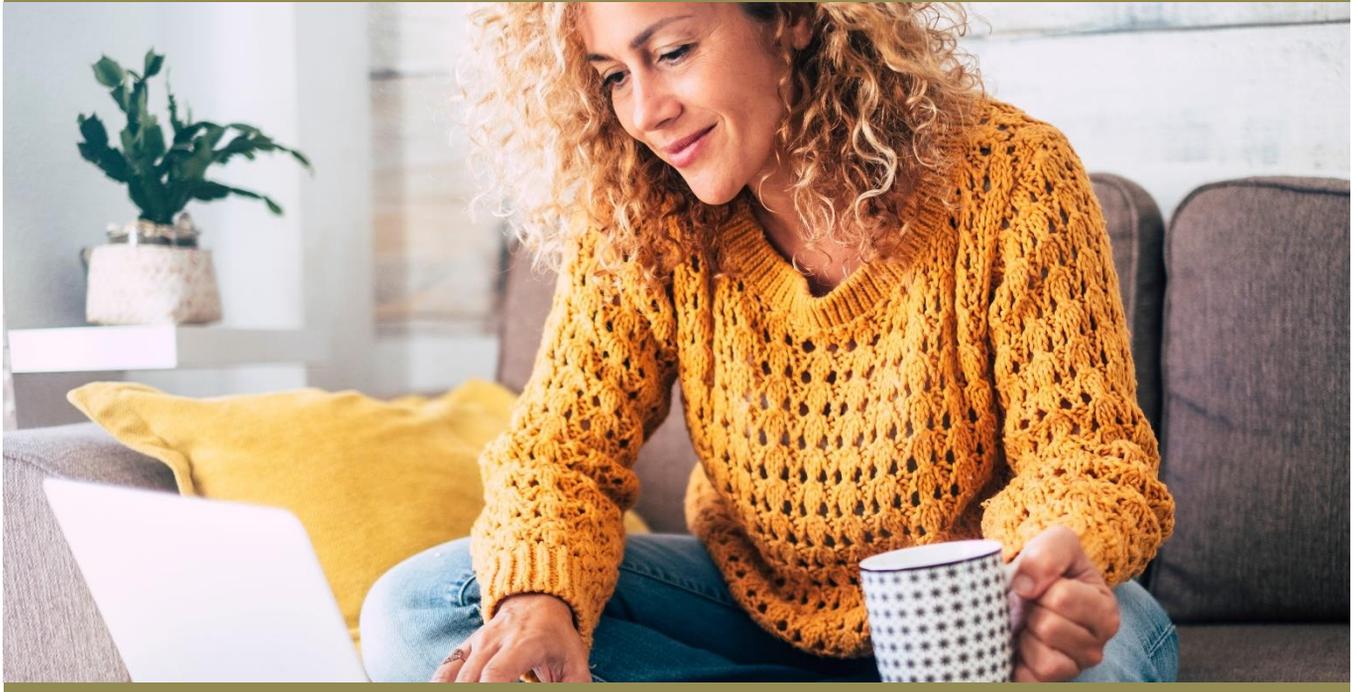


BUDGET IMPACT: INDIVIDUALS



The Chancellor, Rishi Sunak, presented his 2021 Budget on 3 March 2021. Here we look at the effects this will have on individuals. In this special issue Broadcast we will cover the following key changes:

- Personal allowances and income tax thresholds
- Continued COVID-19 support
- Pension lifetime allowance
- SDLT threshold
- Inheritance tax

Personal allowance and income tax thresholds frozen

The personal allowance is increased in line with inflation to £12,570 for 2021/22. However, it will remain at this level for the next five years, until April 2026. The basic rate band will also remain at £37,700 for the next five years, freezing the starting point for paying higher rate at £50,270 until April 2026.

If your income increases during this period, for example, your pay rises in line with inflation, you may find that you move into the higher rate band, paying tax on some of your income at 40% where previously you were a basic rate taxpayer.

The basic rate of tax will remain at 20%, the higher rate at 40% and the additional rate at 45%.

COVID-19 support continues

The Coronavirus Job Retention Scheme is extended until 30 September 2021. This means that if you have been furloughed or flexibly furloughed, you will continue to be paid 80% of your normal wages for your unworked hours, subject to the cap of £2,500 per month.

If you are self-employed and your business has been adversely affected by the Covid-19 pandemic, you will be able to claim two further grants under the Self-Employment Income Support Scheme.

Pension lifetime allowance frozen

The pension lifetime allowance will not be increased in line with inflation over the next five years. Instead, it will remain at its current level of £1,073,100 for 2021/22 to 2025/26. This may affect you if you already have pension savings at or near this level. If this is the case, you should review the amount of your pension pot before making further tax-relieved contributions.

Pension savings more than the lifetime allowance are taxed at 25% if the excess is taken as a pension, and at 55% if it is taken as a lump sum.

SDLT threshold to remain at £500,000 until 30 June 2021

The temporary increase in the SDLT threshold to £500,000 will remain in place until 30 June 2021. It will then fall to £250,000 until 30 September 2021, returning to the standard amount of £125,000 from 1 October 2021. If you are looking to move to a new house or to buy an investment property, there is still time to benefit from the higher threshold.

These comments refer to rates in England and Northern Ireland, the devolved administrations of Wales and Scotland may set alternative rates.

Inheritance tax nil rate band to remain at £325,000

The inheritance tax nil rate band will remain at its current level of £325,000 until April 2026. The residence nil rate band, available where your main residence is left to a direct descendant, also remains at its current level of £175,000 until April 2026. This should be considered when undertaking inheritance tax planning.

How we can help

If you are interested in further clarification on how the recent announcements could affect you, then do not hesitate to contact us. Call us on **01753 888211** or email **info@nhllp.com**