3 March 2021

Budget 2021 highlights

Rishi Sunak has had to make some tough decisions as he balances tackling the health crisis, securing an economic recovery and looking ahead to fixing public finances.

In this year's Budget the Chancellor has juggled contradictory demands by setting out his plan to continue supporting millions of people and businesses hit by the Covid lockdown, while also outlining a path to start fixing the economy. Here's a summary of the policies that could affect the personal finances of families and business owners throughout the UK.

Taxes and allowances

As previously planned, the income tax threshold for the basic rate will rise to £12,570 in 2021, while for higher-rate taxpayers it will increase to £50,270. After this date, the rates will stay the same until April 2026.

The pensions lifetime allowance will also stay at just over £1 million until April 2026 instead of increasing in line with the Consumer Prices Index. Inheritance tax thresholds and capital gains allowances will also be frozen until this time.

Elsewhere, corporation tax will rise to 25% in 2023, and there will be a Small Profits Rate to ensure only businesses with profits of over £250,000 will be taxed at the 25% rate.

The Chancellor confirmed the 5% reduced rate of VAT will be extended for six months to 30 September followed by interim rate of 12.5% for another six months.

Supporting business owners and the self-employed

The furlough scheme will continue until the end of September, with no change of terms. After July, businesses will be asked for a 10% contribution, rising to 20% in August and September. As the economy reopens in the summer, the government will help businesses whose turnover has fallen by 30% or more the most.

There will be a new Restart Grant in April to help companies reopen and get going again. Non-essential retail businesses will receive grants of up to £6,000 per premises, while hospitality and leisure firms will get grants of up to £18,000. Support for the self-employed will also continue until September, and is broadening to include those who filed a tax return by midnight on 2 March.

As part of his plans for an investment-led recovery, the Chancellor announced a new set of schemes called Help to Grow. They will include projects to support people with management training and help small business gain digital skills.

Sustainable investing

The Treasury is launching the world's first green savings bond through National Savings & Investments (NS&I). It means UK savers will have the opportunity to help the country rebuild in an environmentally friendly way and meet its target of cutting greenhouse gas emissions to net zero by 2050. The money will be earmarked for a variety of projects such as renewable energy and clean transport.

Meanwhile, Leeds will host the UK's first infrastructure bank, which will support more than £40 billion of investment. It will invest across the UK in public and private projects to finance the green Industrial Revolution, beginning this spring. The Treasury believes the new institution can play a key role in helping to kickstart the country's economic recovery and reach its goals to fight climate change.

Helping homebuyers

As expected, the Stamp Duty holiday has been extended until 30 June. That means anyone completing on the purchase of a property in England and Northern Ireland worth up to £500,000 will not have to pay Stamp Duty before then. After this, the nil rate band will apply on properties up to a value of £250,000 until the end of September.

The Chancellor has also pledged to help first-time buyers who have a small deposit get on the property ladder with a mortgage guarantee scheme. As part of the initiative, the government will guarantee a chunk of the loan offered by mortgage companies, making it easier for people to be approved for riskier 95% mortgages. The scheme is for properties worth up to £600,000.

What does this mean for investors?

Stock markets don't like surprises and they didn't get any today. Robert Jeffree, chief investment officer of Omnis Investments, says: "The Budget has been positive for stock markets, with the FTSE 100 up since the Chancellor spoke. It's been negative for gilts, partly due to rising inflation expectations and partly due to continuing issuance.

"The measures will keep the wheels in motion until later in the year, when we'll have a better view on restrictions easing and the effectiveness of vaccines. The extension of the Stamp Duty holiday should also help avoid a housing market correction. In summary, there were no real surprises – the government will continue to spend money to help revive the country when the lockdown ends."

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