

## Autumn Budget 2021 – Tax Measures

**27 October 2021**

The Chancellor of the Exchequer presented his Autumn Budget on 27th October 2021.

The theme of this year's Budget was one of spending and investment in a post-pandemic era. Not surprisingly, there were few headline tax raising or cutting measures, partly due to the fact that planned corporation tax and the national insurance increases had already been announced earlier in the year.

This briefing note focuses on changes to and new consultations on tax measures for both individuals and businesses.

### **Individuals**

#### ***Rates***

The main income tax rates and bands for individuals, and the personal tax allowances, will remain the same for 2022/23 as for 2021/22.

The exception to this are the income tax rates for dividends which, as previously announced, will rise by 1.25% from 6 April 2022. The dividend tax rates for individuals will therefore be, from 6 April 2022, 8.75% within the basic rate band, 33.75% within the higher rate band and 39.35% within the additional rate band.

The 1.25% increase in dividend tax will be mirrored by a 1.25% increase in classes 1, 1A, 1B and 4 of national insurance from 6 April 2022, which again had already been announced.

#### ***Basis periods reform***

The Government will legislate in the 2021/22 Finance Bill to simplify tax basis periods for the self-employed and partners of partnerships. The aim of the reform is to move away from the current system which broadly involves an accounting period basis of assessment, towards a tax year or "actual" basis of assessment. There will be two years of transition in order to minimise any cash flow implications of the change.

#### ***Capital gains tax on property disposals - extension of time limit***

In a welcome move, the deadline for both UK residents and non-residents disposing of UK residential property will increase from 30 days after completion to 60 days.

## ***Discovery Assessments***

Legislation will be introduced to make it clear that HMRC may raise a discovery assessment in relation to the higher income child benefit charge, Gift Aid donations and pension tax charges.

## **Business and Corporate Tax**

### ***Qualifying Asset Holding Companies (QAHCs)***

Planned legislation for QAHCs will be introduced to take effect from 6 April 2022.

Broadly, the new QAHC regime is aimed at UK-resident holding or sub-holding companies of international funds. The aim of the regime is to tax QAHCs only in proportion to the activities which they perform in the UK, whilst maintaining the flow of capital, income and gains between investors and the underlying investments. It will not have any impact on the taxation of UK trading activities, UK real estate or UK intangibles.

A QAHC will be a company which is resident in the UK and is controlled as to 70% or more by a widely-held fund which is managed by regulated persons. Where these tests are met, there will be wide-ranging tax exemptions including the disposal of shares (other than those deriving >75% of value from UK real estate), no tax on the profits of overseas rental businesses, and a capital gains exemption on overseas property.

### ***Abolition of Cross-Border Group Relief***

As was perhaps predictable following Brexit, the Government has taken the opportunity to repeal legislation which allows UK-resident companies to claim group relief for losses incurred by an EEA subsidiary. The measure is effective for accounting periods ending on or after 27 October 2021.

### ***Capital Allowances – Annual Investment Allowance (AIA)***

The current increased level of AIA of £1,000,000 will be extended until 31 March 2023, which is very good news for businesses looking to invest in qualifying capital assets.

### ***Residential Property Developer Tax***

As previously announced, this new tax will be introduced at a rate of 4% on profits derived from the development of UK residential property. The tax will only apply to those profits exceeding the annual allowance of £25 million. The new tax will apply to profits arising from 1 April 2022.

### ***R&D Reform***

Research and development (R&D) tax reliefs are to be modernised to include expenditure on data and cloud costs and to refocus relief only on R&D undertaken in the UK.

## ***Company Redomiciliation***

A surprise announcement is the launch of a consultation aimed at enabling overseas companies to redomicile (move their legal seat) to the UK. This would be a very welcome development, as UK company law has to date been deficient in this respect, whilst redomiciliation regimes have been in place in many other jurisdictions for some time.

## ***VAT – Fund Management Fees***

The Government has announced that it will consult on the simplification of the VAT treatment of fund management fees.

## **Further Information and Advice**

For further information or advice, please speak to your usual Verfides contact, or email or call the Tax Team: [tax\\_team@verfides.com](mailto:tax_team@verfides.com); call +44 20 7930 7111.

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