

UK Budget 2021

Tax Impact on UK Property Investors

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10 March 2021

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Trust - Corporate - Estate - Tax - Advisory

Singapore – Hong Kong – Anguilla - Jersey - United Kingdom

2021 Budget Announcements

Summary of Announcements:

1. Income Tax, Capital Gains Tax and Inheritance Tax Allowances frozen until 5 April 2026;
2. 95% LTV Mortgage guarantee for UK homes;
3. Corporation Tax rate increased to 25% from 1 April 2023;
4. Tax Policy consultations to be issued 23 March 2021, changes?
5. Stamp Duty Land Tax ("SDLT") holiday extended;
6. *Previously announced:* SDLT 2% penalty rate from 1 April '21 for non-UK residents.

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2021 Budget Announcements

1. Income Tax, Capital Gains Tax and Inheritance Tax Allowances frozen from 6 April 2021 until 5 April 2026:

- Personal Allowance (UK residents/citizens) increased to £12,570;
- Capital Gains Tax exemption increased to £12,570 (£6,150 for trustees);
- IHT Nil Band (£325k) and Residence Nil Band (£175k) frozen;
- CGT rate remains 18% and 28%, but could still change;

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2. Up to 95% LTV mortgage guaranteed by Government:

- For purchases and re-mortgages on UK homes;
- Up to £600,000 loan;
- Not for second homes;
- Not for buy to let;

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3. Corporation Tax rate increased from 19% to 25% from 1 April

2023:

- Applies to all companies subject to corporation tax and includes UK and non-UK resident company landlords;
- Profits over £250,000 taxed at 25%;
- Profits under £50,000 taxed at 19%;
- Applies to net profit after all deductions and loan interest.
- Tapered rate from £50,001 and £249,999;

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4. Tax Policy consultations are expected to be issued 23 March 2021; no mention of CGT rate or other tax changes:-

- Review commissioned in July 2020, results expected;
- Will the CGT rate be increased from 18/28%?
- Will a one off Wealth Tax be introduced?
- Could they overhaul Inheritance Tax?
- There will be a period of consultation.

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5. Stamp Duty Land Tax Holiday Extension

- a) £500,000 tax free exemption extended to 30 June 2021.
 - Usual rates over £500,000 (5%, 10% and 12%)
- b) £250,000 tax free between 1 July and 30 September 2021.
 - Usual rates over £250,000 (5%, 10% and 12%)
- c) Usual rates from 1 October 2021
 - £125,000 tax free, then tiered bands at 2%, 5%, 10%, 12%

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6. SDLT 2% penalty rate for Non-UK Residents

- Applies to non-UK resident Individuals, Trustees and Companies;
- For purchases of UK residential property *on or after 1 April 2021*;
- Additional 2% SDLT charge on top of rates otherwise chargeable;
- Added on top of SDLT holiday rates;
- Maximum SDLT rate is now 17% for non-UK resident companies or additional properties of non-UK resident individuals costing £1,500,000 or more.
- *Also applies to UK companies Controlled by Non-UK resident shareholder.*

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Takeaways:

- SDLT Savings still to be made by all, compared to 1 October 2021 rates by completing before 30 September 2021;
- Biggest savings for non-UK resident individuals and companies before 31 March 2021;
- If completion delayed, and certainty exists, consider paying full purchase price in advance to secure SDLT rate within time limit.

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Thank You



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