

Budget 2021: As a family business what key changes should you be considering?



The Chancellor laid out a supportive package of measures to help businesses, whilst having one eye on a longer term plan to balance public finances. Despite recent speculation about changes to Inheritance Tax, Capital Gains Tax, and the introduction of a Wealth Tax, the current thresholds have been maintained for the time being. For Family Businesses this is helpful; continued support through the course of the pandemic, but also providing a valuable opportunity for owners of family businesses to review their affairs before further reform to the country's tax environment.

Below are some of the key changes that we believe will impact Family Businesses.



Business taxes

- From 1 April 2023 the Corporation Tax rate will increase to 25% for businesses with taxable profits in excess of £250k. Businesses with taxable profits less than £50k will continue to benefit from the current rate at 19%. When a company's profits fall between these levels there will be a blended tax rate.
- From 1 April 2021 until 31 March 2023, companies will be able to claim a 130% super-deduction capital allowance on qualifying plant and machinery investments and a 50% first-year allowance for qualifying special rate assets.
- The Chancellor has announced a temporary extension to the carry back period from one to three years for trade losses of up to £2 million (adjusted for groups of companies). This applies for the tax years 2020-21 and 2021-22 and applies to incorporated and unincorporated businesses.
- The temporary reduced VAT rate of 5% for qualifying hospitality and leisure businesses will be extended for a further six-month period to 30 September 2021. A new reduced rate of 12.5% will then be introduced ending on 31 March 2022, before the rate returns to 20%.

Family and Owners

- Despite speculation no major changes to Inheritance Tax or Capital Gains Tax were announced.
- The thresholds for personal Income Tax (and the tax free allowance) along with NICs will rise as planned for from April 2021 but will then be frozen until 2026.
- The Government announced the launch of its review of Enterprise Management Incentives (EMI) to consider whether more companies should be able to grant EMI options to their employees. This is an expected but welcome announcement as we see more family companies looking for ways to introduce or extend employee ownership. This development could see more of them able to access the benefits of EMI – potentially lowering the cost of delivering employee equity incentives.

Future picture

- A vast array of discussion relating to potential Inheritance Tax changes, Capital Gains Tax changes and a potential Wealth Tax has taken place in recent months. The Government announced earlier this year that on 23 March 2021 they will issue a series of tax consultations. The exact nature of the consultations to be issued has not been announced. However, family businesses should bear this upcoming event in mind and reflect on their own circumstances as more information becomes available.
- One exception to this is R&D tax relief as a wide reaching consultation document was issued on 3 March covering every important aspect of the regime and it is clear the Government wants to ensure the UK regime is competitive compared to the rest of the world whilst also bringing value for money to taxpayers and rewarding investors in innovation.

Governance

- A key trend is the increased focus by HMRC on the governance of both businesses and the owners and families behind them. We are increasingly seeing coordinated investigations into both. The Chancellor announced HMRC will be investing in 1,265 new investigators to tackle anti avoidance who will focus on investigating fraudulent claims under the Coronavirus Job Retention Scheme and Self Employed Income Support Scheme.
- Tax is getting more complicated and significant changes may be around the corner. The need for a robust tax governance framework is more important than ever before.



Miles Davies

Managing Director, UK Family Enterprise Practice,
KPMG Private Enterprise

+44 (0) 20 76948415

miles.davies@kpmg.co.uk

Your business has a unique element that no other business has – the aspect of the family. This difference can play a significant role in decision making and offers both opportunities and challenges. We understand that the growth and sustainability of your family business lies in the fine balance between the needs of the business and the expectations of your family members. With 23 offices across the country, and a network of member firms across the world we provide a local service with a global presence to address the needs of the business, and the family.

If you would like to speak to an adviser: FamilyBusiness@KPMG.co.uk