What to look for in Budget 2021

Rishi Sunak will today present his second Budget within 12 months. For many commentators, it is perhaps the pivotal Budget of this parliament. Pre-Budget leaks and interviews have put the focus squarely on continuing key pandemic support measures through, hopefully, to the final unlocking timetable at the end of June. Extending the furlough scheme, business loans, stamp duty holiday and targeted VAT cuts have all been widely publicised. For which, of course, the reckoning is coming down the track.

So, what should we watch out for? Here are five points to watch:

• *The timing of tax increases* The Chancellor has said he wants to "level with the people" about the state of public finances. However, everybody from the World Bank to the Institute for Fiscal Studies has said now is the time to rebuild the economy, not to raise taxes. Will Mr Sunak heed that advice or follow the path suggested in the past few days by Conservative grandees such as Ken Clarke and William Hague?

• *Reform of capital taxes* The Chancellor has reports on his desk from the Office of Tax Simplification (OTS) about reform of Inheritance Tax and Capital Gains Tax. Outside of government there has also been a weighty report from the Wealth Tax Commission on the introduction of a one-off wealth tax to raise £260bn. While Mr Sunak has come out against a wealth tax, the Commission's report does give him some cover to reform the tax treatment of capital.

• *How much is flagged for autumn?* Another Budget is currently scheduled for autumn. By then there will also be another Spending Round due as last November's Spending Review only covered 2021/22. Add in the promise that there will be a 'Tax day' on 23 March with a raft of consultations issued and it may be that the Spring Budget provides a taster for the main course served towards the end of the year.

• *Corporation tax* It seems generally accepted that the Chancellor will 'borrow' Joe Biden's plans to raise revenue by increasing corporation tax. The figure most widely discussed is a gradual shift from the current 19% to 23% or even 25%. This is his fourth best option, given that that Mr Sunak's neighbour in Number 10 has insisted on adhering to the 2019 manifesto pledge not to raise rates of income tax, VAT and NICs. However, increasing corporation tax is an ambiguous sign that post-Brexit UK is 'open for business'. It could be that higher tax rates are accompanied by increased capital allowances, giving companies more incentive to invest.

• *Under the radar* The Chancellor is likely to follow a well-trodden path of stealth taxation. Freezing income tax allowances and bands has been widely suggested, even though the Chancellor himself announced increases last November. We could also see another hike in Insurance Premium Tax and perhaps new 'simplification' efforts that, for example, scrap the dividend allowance.

For a concise analysis of what the Chancellor announces register for the Ensors Budget Briefing which will be shown on Friday 5 March at 09:30. https://www.ensors.co.uk/events/detail/budget-briefing-webinar/. Or it will be available online week commencing 8 March. https://www.ensors.co.uk/resources/article-type/video/

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