



## 2021 Budget Summary





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This document has been prepared by Where Now Consulting on behalf of the BCFA, to provide an update for members on the 2021 Budget on the areas impacting the contract interiors industry.

The 2021 Budget set out by the Chancellor of the Exchequer has been touted as the most important Budget in decades. Following a year in which shops have been forced to close, people have had to work from home, and organisations have had to change the way they operate, the Government has provided support to the economy in unprecedented ways.

Now, as the vaccine rollout and the Government's roadmap out of lockdown provide a sense of optimism, the Chancellor has had to balance a call for further fiscal stimulus in the short term, with a desire to bring the Government's Budget back into balance over the medium to long term.

The Government's solution to this is to address a key issue that has been facing the UK economy over the last decade, lagging productivity growth. In tackling this issue, the Government hopes to help businesses grow back stronger, create jobs and level up the regions of the UK.



## Economic Forecast


The 2021 Budget came out with a revised economic forecast from the Office for Budget Responsibility (OBR) which was reasonably upbeat, and more optimistic than previous forecasts.

The contract furniture sector is driven by business and public sector investment. The OBR forecasts that business investment will continue to contract in 2021, rebound strongly in 2022 and 2023, before contracting again in 2024.

Moving forward the Government's tax breaks included in the Budget may create competing investment priorities, diverting investment to plant and machinery rather than investment in spaces. There are also risks around how far homeworking will be adopted. Lastly, there is no direct investment support to help the tourism and hospitality industry which may constrain the sector's ability to invest with a knock-on impact on the contract furniture sector.

For the contract interiors market, there is little direct help that would drive demand in the sector. The super-deduction capital allowance however should encourage investment in interiors driving demand.

The strong rebound in economic growth forecast by the OBR in 2022 is likely to drive demand in the contract interiors market. As the economy reopens, and businesses make plans for the future, the Budget contained much to support this growth both in terms of investment stimulus, support for technology, investment in people and access to funding through the new recovery loan scheme. Lastly, the extension of the furlough scheme is very welcome allowing businesses to retain talent whilst protecting reserves.



OBR Forecast	2019	2020	2021F	2022F	2023F	2024F	2025F
GDP growth	1.4	-9.9	4.0	7.3	1.7	1.6	1.7
Household consumption	1.1	-11.0	2.9	11.1	1.2	1.8	1.3
Fixed investment	1.5	-8.7	3.7	10.8	2.6	-0.5	3.3
Business investment	1.1	-10.7	-2.2	16.6	3.0	-2.3	5.1
Change in inventories	0.1	-0.7	2.4	-1.6	0.0	0.0	0.0
CPI inflation	1.8	0.9	1.5	1.8	1.9	1.9	2.0
Unemployment (% rate)	3.8	4.5	5.6	5.9	5.1	4.5	4.4
Productivity per hour	0.2	0.5	-0.6	1.2	1.1	1.2	1.6

Source: Office for National Statistics and Office for Budget Responsibility.

## Continued support for business

The Chancellor has announced that many of the initiatives to support businesses have been kept in place.



## Coronavirus Job Retention Scheme (CJRS)


The Government has announced that the scheme will continue through September 2021 to help business as restrictions are lifted. In April, May and June the scheme will continue in its current form, but from July employers will need to contribute 10% of the cost of unworked hours, increasing to 20% in August and September. This is welcome as many businesses within the sector still have staff on furlough, helping them retain talent. It will also provide flexibility in bringing staff back to the workplace.

## Freezing business rates multiplier

The Government has frozen the business rates multiplier in England for 2021-22 with effect from 1 April 2021.

## Commercial property

Since March 2020, the Government has implemented a range of measures to support commercial property tenants and landlords, including a moratorium on landlords' right to evict tenants for non-payment of rent that has accrued during the pandemic; suspending the use by landlords of statutory demands and winding up petitions to pursue unpaid rent that has accrued during the pandemic; extending the period of rent arrears required before landlords can use Commercial Rent Arrears Recovery (CRAR) to seize tenants' goods in lieu of unpaid rent; and working with the financial regulators to issue a joint statement encouraging investors and lenders to exercise forbearance in



relation to the impact that the pandemic may have on loan covenants.

### VAT Referral

In July 2020, the Government announced that UK VAT-registered businesses did not need to pay any VAT due with VAT returns from 20 March through to the end of June 2020 before the end of March 2021. The Government has since announced the VAT deferral 'New Payment Scheme', which is available to any business that took advantage of the original VAT deferral. Instead of paying the full deferred VAT outstanding by 31 March 2021, businesses can spread what they owe over up to 11 smaller monthly payments from this month. Businesses can join the service online without needing to contact HMRC. The service opened on 23 February 2021 and will close on 21 June 2021.

### Relief for certain imported goods

Since 1 January 2021, tariffs on medical products used to help fight against coronavirus have been suspended.

### Closed Business Lockdown Payment (CBLIP)

The CBLP scheme has provided further support for businesses which are legally required to close as a result of COVID-19 restrictions. Businesses in England have been able to claim one-off grants of up to £9,000 per premise, in addition to the monthly grant these businesses are eligible for through The Local Restrictions Support Grants.

## Support for growth

To support growth across the UK the Government has laid out three key measures. These are aimed at providing an incentive to invest in equipment and plant, upskilling business leaders, and adopting digital technologies.



### Super-deduction

Companies investing in qualifying new plant and machinery between 1 April 2021 and 31 March 2023 will benefit from new first-year capital allowances. Investments in main-rate assets – those that qualify for 18% writing down allowance (WDA) – will be relieved by a 130% super-deduction, while investments in assets qualifying for 6% WDAs will benefit from a 50% first-year allowance.

### Help to Grow – Management

The new UK management programme will aim to upskill 30,000 SMEs over three years. The programme combines a national curriculum delivered through business schools with mentoring from business professionals. The courses will run for 12 weeks and are 90% subsidised.

### Help to Grow – Digital

The new UK scheme will start in the autumn and aims to help 100,000 SMEs adopt new software to boost productivity. This will be delivered through a voucher covering half of the costs of approved software up to £5,000, with free advice on an online platform.

## Support for recovery

The Government has set out measures to help businesses reopen as restrictions are lifted. This includes loans and grants to help businesses, an extension of the loss carry-back rule, incentives to hire young people and train them, and a continued reduction of the VAT rate for tourism and hospitality. These initiatives will help the contract interiors industry to hire and train talent and provide a boost to sectors they work closely with.



### Recovery Loan Scheme:

From 6 April 2021 this scheme will offer the lender a guarantee of 80% on eligible loans between £25,000 and £10m. This will be open to all business including those who have already received support under the existing loan schemes.

### Restart Grants:

In England, non-essential retail will be given £6,000 per premise.


### Loss carry-back:

The loss carry-back rule will be extended for all UK businesses, from 1 year to 3 years. This is available to incorporated and unincorporated businesses.

### Traineeships and apprenticeships

With the disproportionate effect of lockdowns on youth employment, the Government is trying to get young people into jobs. In England, £126m has been set aside for work placements and training for 16-24 year-olds, for the academic year 2021/2022.





Employers who provide trainees with work experience will continue to receive £1000 for each trainee. Employers who hire new apprentices between 1 April and 30 September 2021 will receive £3000 per hire. This is in addition to the current £1000 payment for 16–18 year-old apprentices and those aged under 25 with an Education, Health and Care Plan, where this applies.

### Tourism and hospitality VAT

The temporary reduced rate of 5% for hospitality, holiday accommodation and attractions has been extended until 30 September 2021 and a new reduced rate of 12.5% will apply from 1 October 2021 to 31 March 2022, after this the rate will revert to the 20% standard rate.

### Annual investment allowance (AIA) extension

The temporary £1m limit for the AIA will be extended to 31 December 2021.

### Enterprise management incentives (EMI)

As previously announced, the Government will extend until 5 April 2022 the time-limited exception ensuring that employees continue to meet the working time requirements for EMI schemes if they are furloughed or working reduced hours because of COVID-19.

## Taxes

### Corporate tax

In April 2023, the corporate tax rate will increase to 25% on profits over £250,000. The rate for small profits under £50,000 will remain at 19% and there will be relief for profits under £250,000 so they pay less than the main rate. The Diverted Profits Tax rate will rise to 31% from April 2023.



### Landfill tax

The standard and lower rates of landfill tax will increase in line with RPI, rounded to the nearest five pence with effect from 1 April 2022.

### Plastic packaging tax

A new plastic packaging tax will start on 1 April 2022 to encourage the use of recycled plastic instead of new plastic in packaging. As previously announced, the rate will be £200 per tonne of plastic packaging that contains less than 30% recycled plastic content.



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Where Now Consulting is delighted to support the BCFA and its members as a Member Benefits Partner. We have provided support for business recovery, at the start of the pandemic, directly and through webinars. We have also provided support for businesses post-Brexit to help them navigate the new international trade deals.

A link to the full 2021 Budget can be found [here](#).