

Budget announcements: What employers need to know



The Chancellor made a number of announcements in the Budget on 3 March 2021 which are relevant to employers and their obligations and liabilities in respect of their employees. We look at the key announcements from the Budget concerning employment and HR.

Key budget announcements

Extension of the furlough scheme

Ahead of the Budget, the Chancellor announced that the furlough scheme would be extended until the end of September 2021, continuing to fund 80% of employees' wages for their furloughed hours up to a limit of £2,500 per month.

Until the end of June 2021 the current funding arrangements will remain in place, with the only payments required by employers being the minimum employer pension contributions and employer National Insurance contributions. From 1 July employers will also be required to pay 10% of employees' wages and the Government support will decrease to 70%. From 1 August until 30 September the required employer contribution will be 20%, with the Government support at 60%.

Time will tell whether the tapering-off of the furlough scheme will avoid a cliff-edge for employers as the furlough scheme comes to an end, and the extent to which the ending of the scheme will trigger a surge in redundancies and unemployment.



How is the furlough scheme being used?

Statistics compiled by HMRC in February 2021, and published in a report this week by the House of Commons Library, show that a total of 11.2 million jobs have been furloughed during the scheme by a total of 1.3 million employers.

As at 31 January 4.7 million jobs were on furlough, significantly lower than during the April/May 2020 lockdown when over 8 million jobs were on furlough. Part of the explanation is that some sectors such as construction, manufacturing and property were shut down in the first lockdown, but have continued to operate in the current lockdown. Another reason may be that businesses have adapted to lockdown conditions and developed new ways to continue working.

Accommodation and food services are the sectors with the highest furlough rate, with 56% of eligible jobs on furlough, representing 1.15 million jobs. This is closely followed by arts, entertainment and recreation, which have a furlough rate of 55%, representing 315,000 jobs.

13% of jobs held by women, and 13% of jobs held by men, were on furlough at 31 January. Employees aged 24 and under had the highest proportion of furloughed jobs, and in this age group furlough affects women more than men. The age group with the highest number of jobs furloughed is the 24-34 age group, with 1.03 million jobs on furlough.

London is the region with the highest furlough rate, at 17%. Other regions and nations have a furlough rate between 14% and 16%. Outside London, many of the areas with the highest furlough rates are those which are heavily dependent on the tourism sector, such as Cornwall and the Lake District.

Self-employment scheme

The self-employment scheme is also extended with access extended to the newly self-employed, provided that they have submitted tax returns for the 2019/20 tax year before 3 March.

The fourth grant under this scheme covering February to April can be claimed, as previously, at the level of 80% of average trading profits up to £7,500. For the fifth grant (which will be available from July and covers the period from May onwards) individuals who have suffered a reduction to their self-employment income of 30% or more will be eligible to an 80% grant. If their loss of self-employment income is less than 30%, they will be eligible to a 30% grant. The rationale is that it is fair to target support towards those most affected by the pandemic as the economy reopens over the summer.

National Minimum Wage

The National Living Wage will increase from April 2021 from £8.72 to £8.91 per hour. It will also be extended for the first time to 23 and 24 year olds.

Apprentices

The incentive payment for businesses hiring new apprentices will be doubled to £3,000.

Income tax

The rates of income tax and National Insurance are unchanged. The personal allowance will continue to go up to £12,570 as planned, but will then be frozen at this level until 2026. Similarly the higher rate threshold will go up to £50,270 but will be frozen for the same period.



Off-payroll working (IR35)

There was no mention in the Budget of any postponement or modification of the off-payroll working which come into effect on 6 April 2021.

How we can help

Please contact our [employment team](#) if you require any guidance or support on these issues.