

Budget 2020

A Summary of the Chancellor's Statement
Wednesday 10 March 2020

Main tax proposals

A reduction in the Entrepreneurs' Relief lifetime limit

An increase in the Employment Allowance

An increase in the rate of Structures and Buildings Allowance

An increase in the rate of Research and Development Expenditure Credit

An increase and extension of the business rates discounts

Extended access to Statutory Sick Pay due to coronavirus

Budget 2020

PERSONAL TAX

ALLOWANCES

	2019/20	2020/21
Personal allowance	£12,500*	£12,500*

*Reduced by £1 for every £2 adjusted net income exceeds £100,000
Personal allowance reduced to zero where income exceeds £125,000
Frozen for 2020/21 by the 2018 Budget then to increase by CPI

The marriage allowance

- Claim to transfer 10% of personal allowances
- Couple are married or in a civil partnership
- Neither pays tax above the basic rate
- Reduces recipients tax bill by £250 in a year
- Introduced in 2015/16
- Claims made by 6th April 2020 could amount to £1,150

Tax bands

	Band £	Rate %
Basic Rate	0 – 37,500	20%
Higher Rate	37,501 – 150,000	40%
Additional Rate	Over 150,000	45%

Income tax rates in Scotland and Wales on income other than savings and dividend income have been devolved.

Devolved income tax

For Scottish residents there are 5 income tax rates from 19% - 46%

These apply on employment income, self- employed profits and property income

For Welsh residents, for 2019/20 and 2020/21 the income tax rates above have been reduced by the UK government by 10p and the Welsh Government has set their rate at 10p

Savings Allowance

BR
taxpayer

• £1,000 @ 0%

HR
taxpayer

• £500 @ 0%

AR
taxpayer

• NIL

Starting rate on savings band

	2019/20	2020/21
Savings rate	0%	0%
Savings band	£5,000	£5,000

Dividend Allowance

Remains unchanged at £2,000

- The first £2,000 of dividends are charged to tax at 0%
- Still count towards an individual's basic and higher rate band – so can affect the rate at which dividends above the allowance are taxed

Dividend rate

Ordinary rate	7.5%
Upper rate	32.5%
Additional rate	38.1%

ISAs 2020/21 limits

Overall
Savings Limit

£20,000

Junior ISA
Limit

increased to £9,000

Child Trust Funds (CTF)

- Around 6 million CTF accounts
- 800,000 to mature each year from September 2020
- Tax advantaged status retained pending instructions from account holder
- Transfers to an ISA from a matured CTF is disregarded from the annual ISA subscription limit.

Pension Changes

The annual allowance for tax-relieved pensions savings accrued in a year remains at £40,000.

The £40,000 annual allowance is reduced for those on higher incomes

The budget announced changes to threshold limits which could reduced these amounts to as low as £4,000 – making a review necessary before contributions are made

Statutory Sick Pay (SSP)

For those who **can** claim SSP

- Temporarily allow SSP from 1st day of sickness absence
- for those with COVID – 19
- Temporarily extend SSP to cover those who have to self-isolate OR people caring for those within the same household who have to self-isolate

Statutory Sick Pay (SSP)

For those who **can not** claim SSP -

the self-employed and employees earning below the National Insurance Lower Earnings Limit

‘New Style’ Employment and Support Allowance and through the Universal Credit system


Budget 2020

EMPLOYMENT TAX

Class 1 NICs

	2019/20	2020/21
Lower earnings limit	£118	£120
Primary threshold	£166	£183
Secondary threshold	£166	£169
Upper earnings limit	£962	£962

This increases the annual
primary threshold to
£9,500



Off-payroll working in the private sector

- New rules will only apply to ***payments made for services provided*** on or after 6 April 2020
- Applies where an individual (*worker*) provides their services through an intermediary (typically a *personal services company*) to another person or entity (*client*)
- HMRC updated CEST tool in November 2019

Off-payroll working in the private sector

- Small organisations (meeting 2 of these criteria) are exempt:
 - Annual turnover <£10.2m
 - Balance sheet entries <£5.1m
 - 50 or fewer employees
- A legal obligation will be placed on engaging companies to respond to worker/agency requests for information about their size
- Soft-landing period in first year of operation

Employer Provided Cars

- Scale charge for employees provided with a car
- Calculated using bands based on the CO₂ emissions
- Maximum of 37% of the cars list price
- From April 2020 the CO₂ will be based on the WLTP

The Worldwide Harmonised Light Vehicles Test Procedure aims to be more representative of real world driving conditions

- For vehicles registered from 6 April 2020 most rates will reduce by 2% before returning to the planned rates over the following 2 years

CO ₂ Emissions g/km	Registered pre April 2020	Registered Post April 2020
	% of list price taxed	% of list price taxed
1-50 g/km CO₂		
Electric Range		
130 miles or more	2	0
70 - 129	5	3
40-69	8	6
30-39	12	10
under 30	14	12
51-54 g/km	15	13
For every extra 5g/km	+1	+1
160 g/km	37	n/a
170 g/km and above	n/a	37

Car benefit percentages



Employment Allowance (EA)

- EA increased to £4,000 from 6 April 2020
- EA restricted to employers with an employers NICs liability below £100,000 for the previous tax year
- EA will have to be claimed as a form of State aid and will count towards the total aid a business is entitled to.

Disguised remuneration loan charge

Loan charge now applies to outstanding loans made on or after 9 December 2010

For loans made between 9 December 2010 and 5 April 2016

Disguised remuneration loan charge

- Those who had not otherwise settled their affairs were required to submit a 2018/19 return, including their best estimate of the outstanding loan balance by 31 January 2020
- No late payment interest until 30 September 2020
- Charge can now be spread over 2018/19, 2019/20 and 2020/21 to reduce exposure to additional rate band
- HMRC will afford additional flexibility

NMW rates

From 1 April 2020 - the National Living Wage (for workers aged 25 and over) increased by 6.2%

- £8.72 for 25 years old and over
- £8.20 for 21-24 year olds
- £6.45 for 18-20 year olds
- £4.55 for 16-17 year olds
- £4.15 for apprentices aged under 19 or in the first year of their apprenticeship.

Budget 2020

BUSINESS TAX

The rate of corporation tax

Currently

- 19%

**April
2020**

- Expected to reduce to 17% from 1 April 2020
- Rate to remain at 19%

Capital Allowances

Structures and Buildings Allowance

Currently 2% straight line
write off

Increasing to 3% from
April 2020

FYA
@100%

Zero – emissions cars,
goods vehicles and gas
refuelling stations



First year allowances

- From April 2021 only zero emission cars will qualify for 100% FYA
- Cars up to 50g/km emissions 18% WDA
- Cars with emissions over 50g/km 6% WDA



A Tesla coil is shown on the left side of the slide. It features a large, glowing red sphere at the top, which is emitting several bright blue arcs of light that extend upwards and outwards. The background is dark, making the glowing elements stand out.

R&D changes

- Research and Development Expenditure Credit (RDEC)
- Rate increases from 12% to 13% from 1 April 2020

Corporation tax loss relief

- From 1 April 2020 some companies will find that only 50% of their capital gains arising can be relieved by way of brought forward capital losses
- However the £5million deductions allowance continues to apply and will be able to be set against chargeable gains
- No restriction on use of brought-forward losses within this allowance

Digital services

- From April 2020
- 2% tax on revenues
 - e.g. search engines & social media
- Only groups with global revenues over £500m

Business rates

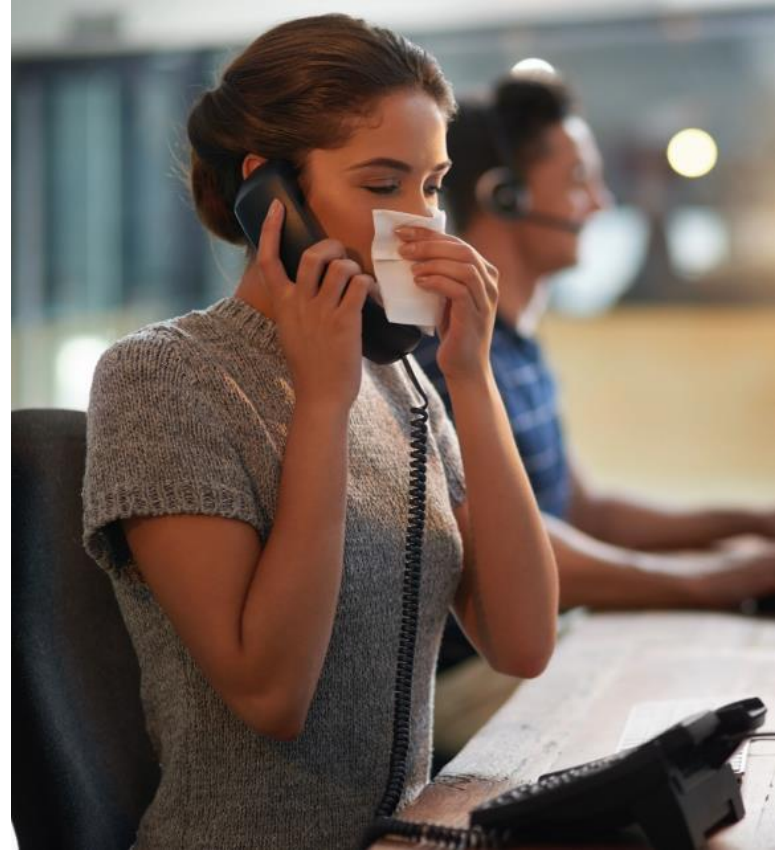
- COVID-19 response
- Retail discount 100% (including hospitality and leisure businesses)
- £5,000 discount for pubs
- Fundamental review of business rates in the autumn

Time to Pay

- HMRC dedicated COVID-19 helpline
- May be able to agree bespoke Time to pay arrangements

Statutory Sick Pay

- COVID-19
- Refund of eligible SSP costs
- 2 weeks per employee
- Employers with fewer than 250 employees



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CAPITAL TAXES

Exemptions

CGT

- Annual exemption 2020/21 £12,300

Rates

- 10% & 20%
- NOT for residential property

Entrepreneurs' Relief (ER)

- ER holding of 5% of the ordinary share capital
- Unincorporated business owners
- Ownership period of 2 years
- 10% tax rate up to the lifetime limit

Entrepreneurs' Relief

- Entrepreneurs' relief lives to see another day!
- But the lifetime limit decreases from £10 million to £1 million for disposals on/after 11 March 2020

CGT Private Residence Relief

- From April 2020
- Exemption for the last 9 months (reduced from 18 months)
- Lettings relief only if share occupancy with the tenant

Payment on account of CGT

- And 30 day returns
- On residential property gains
- File a return and pay the CGT due
- Within 30 days of sale
 - Payment on account
- From 6 April 2020



Exemptions etc

IHT

- Nil rate band remains frozen to 5 April 2021
- Residential nil rate band for deaths in 2020/21 increased to £175,000

Budget 2020

OTHER MATTERS

VAT

E-books; e-magazines, e-newspapers, academic e-journals

From 1 December 2020 they will
be zero-rated.

Tampon Tax abolished

From 1 January 2021 zero rated



Changes to insolvency from April 2020

Why?

Loss of tax


What?

VAT, PAYE, employees'
NIC & CIS

HMRC

Take priority over banks

Plastic Packaging Tax

- On packaging produced or imported in the UK
 - That does not contain 30% recycled plastic
 - £200 per tonne
 - April 2022
- 



2020 Budget

RATES AND ALLOWANCES

Pension changes

Lifetime allowance

- For 2020/21 indexed to £1,073,100

NIC 2020/21

Rate	Employer	Employee
Main rate	13.8%	12%
Additional rate		2%
Under 21*	0%	
Apprentice under 25*	0%	

* On earnings up to Upper Earnings Limit of £962 pw

Other benefits

Car fuel benefit increased

- £24,500

Vans & fuel

- Up to £3,490 & £666

Devolution

- Stamp Duty Land Tax
- Land and Buildings Transaction Tax in Scotland
- Land Transaction Tax
 - introduced in Wales from 1 April 2018
- Welsh Rates of Income Tax from April 2019
- Scottish Income tax rates and bands now devolved

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