Jerroms
ACCOUNTANTS & BUSINESS ADVISERS

BUDGET 2020

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The Chancellor Rishi Sunak presented his first Budget on Wednesday 11 March 2020. In his speech he stated 'we are at the beginning of a new era in this country. We have the freedom and the resources to decide our own future'.

'It is a Budget of a government that gets things done'.

Our summary focuses on the tax measures which may affect you, your family and your business. To help you decipher what was said we have included our own comments. If you have any questions please contact us for advice.

Main Budget tax proposals

Our summary concentrates on the tax measures which include:

- 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 Research and Development Expenditure Credit.

Other measures include:

- an increase and extension of business rates discounts
- extended access to Statutory Sick Pay due to coronavirus.

Previously announced measures include:

- the increase to the National Insurance thresholds
- the introduction of off-payroll working for the private sector
- changes to Principal Residence Relief.

Some Budget proposals may be subject to amendment in the 2020 Autumn Budget and subsequent Finance Act. You should contact us before taking any action as a result of the contents of this summary.

Contents

Personal Tax

The personal allowance

The personal allowance is currently £12,500. Budget 2018 announced that the allowance will remain at the same level in 2020/21 and then increase by CPI. There is a reduction in the personal allowance for those with 'adjusted net income' over £100,000. The reduction is £1 for every £2 of income above £100,000. So for the current and next tax year there is no personal allowance where adjusted net income exceeds £125,000.

The marriage allowance

The marriage allowance permits certain couples, where neither pays tax at more than the basic rate, to transfer 10% of their personal allowance to their spouse or civil partner.

Comment

The marriage allowance reduces the recipient's tax bill by up to £250 a year in 2019/20 and 2020/21. The marriage allowance was first introduced for 2015/16 and there continue to be couples who are entitled to claim but have not yet done so. It is possible to claim for all years back to 2015/16 where the entitlement conditions are met. The total tax saving for all years up until 2019/20 could amount to £1,150. A claim for 2015/16 will need to be made by 5 April 2020.

Tax bands and rates

The basic rate of tax is 20%. In 2019/20 and 2020/21 the band of income taxable at this rate is £37,500 so that the threshold at which the 40% band applies is £50,000 for those who are entitled to the full personal allowance.

Individuals pay tax at 45% on their income over £150,000.

Scottish residents

The tax on income (other than savings and dividend income) is different, for taxpayers who are resident in Scotland, from taxpayers resident elsewhere in the UK. The Scottish income tax rates and bands apply to income such as employment income, self-employed trade profits and property income.

In 2019/20 there are five income tax rates which range between 19% and 46%. Scottish taxpayers are entitled to the same personal allowance as individuals in the rest of the UK. The two higher rates are 41% and 46% rather than the 40% and 45% rates that apply to such income for other UK residents. For 2019/20, the threshold at which the 41% band applies is £43,430 for those who are entitled to the full personal allowance.

The Scottish Government has confirmed that the Scottish income tax rates will be frozen for 2020/21. The thresholds from which the 20% and 21% bands apply will be increased to £14,585 and £25,158 respectively for those who are entitled to the full personal allowance.

Welsh residents

From April 2019, the Welsh Government has the right to vary the rates of income tax payable by Welsh taxpayers. The UK government has reduced each of the three rates of income tax paid by Welsh taxpayers by 10 pence. The Welsh Government set the Welsh rate of income tax at 10 pence which has been added to the reduced rates. This means the tax payable by Welsh taxpayers continues to be the same as that payable by English and Northern Irish taxpayers.

The Welsh Government has confirmed that the income tax rate will remain at 10 pence for 2020/21.

Tax on savings income

Savings income is income such as bank and building society interest.

The Savings Allowance applies to savings income and the available allowance in a tax year depends on the individual's marginal rate of income tax. Broadly, individuals taxed at up to the basic rate of tax have an allowance of £1,000. For higher rate taxpayers the allowance is £500. No allowance is due to additional rate taxpayers.

Some individuals qualify for a 0% starting rate of tax on savings income up to £5,000. However, the rate is not available if taxable non-savings income (broadly earnings, pensions, trading profits and property income less allocated allowances and reliefs) exceeds £5,000.

Tax on dividends

The first £2,000 of dividends is chargeable to tax at 0% (the Dividend Allowance). Dividends received above the allowance are taxed at the following rates:

- 7.5% for basic rate taxpayers
- 32.5% for higher rate taxpayers
- 38.1% for additional rate taxpayers.

Dividends within the allowance still count towards an individual's basic or higher rate band and so may affect the rate of tax paid on dividends above the Dividend Allowance.

To determine which tax band dividends fall into, dividends are treated as the last type of income to be taxed.

Child Trust Funds (CTFs)

Junior ISAs and its precursor CTFs allow tax free savings to be made for children under 18. There is no access to the investments until the child is 18. CTF accounts will start to mature in September 2020 when the first children reach 18. Without regulatory change the investments would lose their tax advantaged status. CTF and ISA regulations have therefore recently been made which:

- make sure that investments in CTF accounts retain their tax advantaged status post maturity, pending instructions from the account holder
- allow savings transferred from a matured CTF to be disregarded for the annual ISA subscription limit.

Comment

*Around six million children hold a CTF and approximately 800,000 will mature each year from September 2020. A significant proportion of these accounts are thought to be 'dormant' - holding just the contributions made by the government. Government contributions are not made to Junior ISAs. This government webpage: **bit.ly/2s8ceyz** allows a check to be made as to where a CTF is held but a Government Gateway user ID is required first.*

Junior ISA and CTF annual subscription limits

The annual subscription limit for Junior ISAs and CTFs will be increased from £4,368 to £9,000 for 2020/21.

Pensions changes

The pensions annual allowance (currently £40,000) is the maximum amount of tax-relieved pension savings that can be accrued in a year. However, for those on higher incomes, the annual allowance is reduced by £1 for every £2 that an individual's 'adjusted income' exceeds £150,000, to a minimum annual allowance of £10,000. Adjusted income is broadly net income before tax with the addition of any pension accrual. The taper potentially applies to an individual with income before tax, without the addition of the pension accrual, above £110,000. This is known as the 'threshold income'.

Adjusted income and threshold income will each be raised by £90,000 for 2020/21. The threshold income will be £200,000, so individuals with income below this level will not be affected by the tapered annual allowance. The annual allowance will begin to taper down for individuals who also have an adjusted income above £240,000.

There is also a change to the minimum annual allowance. The minimum level to which the annual allowance can taper down will reduce from £10,000 to £4,000 from 6 April 2020. This reduction will only affect individuals with adjusted income over £300,000.

Support during the coronavirus

The Prime Minister previously announced that the forthcoming COVID-19 Bill will temporarily allow Statutory Sick Pay (SSP) to be paid from the first day of sickness absence, rather than the fourth day, for people who have COVID-19 or have to self-isolate in accordance with government guidelines. The Budget sets out a further package to widen the scope of SSP and make it more accessible. The government will temporarily extend SSP to cover:

- individuals who are unable to work because they have been advised to self-isolate
- people caring for those within the same household who display COVID-19 symptoms and have been told to self-isolate.

Support for those ineligible for SSP

The government recognises that self-employed people and employees earning below the National Insurance Lower Earnings Limit are not entitled to SSP and will offer financial support to these individuals through a 'new style' Employment and Support Allowance and Universal Credit.

Employment Taxes

National Insurance thresholds

The government has recently announced National Insurance thresholds for 2020/21. Most thresholds will rise with inflation. Two thresholds, however, will rise by 10% from £8,632 to £9,500:

- the primary threshold - which sets the level at which employees start to pay Class 1 National Insurance contributions (NICs)
- the lower profits limit - which sets the level at which the self-employed start to pay Class 4 NICs.

The upper thresholds which apply to these two classes of NICs remain at £50,000.

Comment

The secondary threshold, which sets the level at which employers pay the main rate of NICs, only rises in line with inflation.

Off-payroll working in the private sector

The changes to the off-payroll working rules (commonly known as IR35), which came into effect in April 2017 for the public sector, will be extended to the private sector from April 2020. Draft legislation has been issued. The new rules apply to payments made for services provided on or after 6 April 2020.

The off-payroll working rules apply where an individual (the worker) provides their services through an intermediary (typically a personal service company) to another person or entity (the client). The client will be required to make a determination of a worker's status and communicate that determination. In addition, the fee-payer (usually the organisation paying the worker's personal service company) will need to make deductions for income tax and NICs and pay any employer NICs.

Only medium and large businesses will be subject to the 2020 rules, so small businesses will not need to determine the status of the off-payroll workers they engage. A small company is one which meets two of these criteria: its annual turnover is not more than £10.2 million: it has not more than £5.1 million on its balance sheet: it has 50 or fewer employees. For unincorporated organisations it is only the annual turnover test that applies.

Review

In January 2020, the government announced a review of the implementation of the April 2020 reform, to address concerns from affected businesses and individuals. The government has confirmed the changes will go ahead but:

- businesses will not have to pay penalties for errors relating to off-payroll working in the first year, except in cases of deliberate non-compliance
- there will be a legal obligation on clients to respond to a request for information about their size from the worker or the fee-payer.

Employer provided cars

The scale of charges for calculating the taxable benefit for an employee who has use of an employer provided car is computed by reference to bands of CO_2 emissions multiplied by the original list price of the vehicle. The maximum charge is capped at 37% of the list price of the car.

For 2019/20 the rates increased by 3% from the rates applying for 2018/19.

The government announced in Budget 2017 that CO_2 emissions for cars registered from April 2020 will be based on the Worldwide Harmonised Light Vehicles Test Procedure (WLTP). Draft legislation has been issued to amend the previously planned benefit percentages for 2020/21 through to 2022/23:

- All zero emission cars will attract a reduced percentage of 0% in 2020/21 and 1% in 2021/22, before returning to the planned 2% rate in 2022/23.
- For cars registered before 6 April 2020, the current test procedure will continue to apply and there are no further changes to percentages previously set for 2020/21. These rates will be frozen at the 2020/21 level for 2021/22 and 2022/23.
- For cars first registered from 6 April 2020 most rates will reduce by 2% in 2020/21 before returning to planned rates over the following two years, increasing by 1% in 2021/22 and 1% in 2022/23.

Comment

WLTP aims to be more representative of real world driving conditions, compared to the current test known as the New European Driving Cycle. The government estimates that reported CO_2 values may be on average about 20 – 25% higher under the WLTP testing standards compared to the current test.

Employment Allowance

The Employment Allowance provides businesses and charities with relief from their employer NICs bill. Regulations have been issued to restrict the Employment Allowance, from 6 April 2020, to those employers whose employer NICs bill was below £100,000 in the previous tax year. Employers who are connected to other employers (such as companies within a group) will need to add together all of their employer Class 1 NICs liabilities incurred in the tax year prior to the year of claim to determine eligibility.

The maximum Employment Allowance will be increased from £3,000 to £4,000 with effect from 6 April 2020.

From 6 April 2020 the Employment Allowance will operate as de minimis State aid. This means it will count towards the total aid a business is entitled to under the relevant de minimis State aid cap.

Comment

De minimis State aid rules apply if a business engages in economic activity, providing goods or services to the market. Most businesses will not have received de minimis State aid before so will not need to do further checks to determine if they are eligible for the Employment Allowance.

Class 1A liabilities on Termination Awards

A new liability to Class 1A NICs comes into effect on 6 April 2020 on termination awards over £30,000 and payments from sporting testimonials above £100,000. The new Class 1A NICs liability applies to non-contractual taxable termination awards over a £30,000 threshold, that have not already incurred a payroll Class 1 NICs liability as earnings.

Unlike the Class 1A NICs liability payable on benefits in kind this new liability will not be payable and reported via the annual P11D(b) payment/ reporting process. Instead, from 6 April 2020 onwards, Class 1A liabilities arising on taxable termination awards which comprise of cash and/ or cash equivalent payments, will be paid and reported through the PAYE/Real Time Information (RTI) process.

This new Class 1A liability will not apply to any termination awards paid after 5 April 2020 in respect of employment which was terminated before 6 April 2020.

Comment

Before 6 April 2020, employers should ensure that their payroll software has been updated to enable them to pay and report the new Class 1A NICs liabilities, arising on termination awards, through RTI.

Loan Charge review

The Loan Charge tackles disguised remuneration tax avoidance schemes. These are tax arrangements that seek to avoid income tax and NICs by paying income to individuals in the form of loans, usually via an offshore trust, with no expectation that the loans will ever be repaid. The charge applies to any loans made through disguised remuneration schemes after 6 April 1999, which had not been repaid by 5 April 2019.

Draft legislation has been issued to amend the scope of the Loan Charge:

- It will now only apply to outstanding balances of disguised remuneration loans made between 9 December 2010 and 5 April 2019 inclusive.
- It will not apply to loans made in tax years before 2016/17 where a reasonable disclosure of the use of a disguised remuneration tax avoidance scheme was made within the relevant tax return or associated documents where appropriate, and HMRC failed to take any action (for example by opening an enquiry).
- Those affected by the Loan Charge will be able to elect to split their loan balance over three consecutive years 2018/19 to 2020/21 (rather than the full charge arising in 2018/19).
- The date by which the additional information form must be returned to HMRC will move from 1 October 2019 to 1 October 2020. The form requires taxpayers to provide full information to HMRC relating to any outstanding disguised remuneration loans for which they will need to make tax payments.

Comment

The amendments have been made due to concerns raised about the impact of some aspects of the charge, particularly the large tax bills arising in 2018/19 for individuals who had used the schemes. An estimated 11,000 individuals will be removed from the charge due to the date the loan charge applies being changed to 2010 and the provisions for those who have made reasonable disclosures. There are many individuals who will still have tax bills to pay and HMRC is introducing special 'time to pay' arrangements to allow some individuals to pay over a number of years.

National Living Wage (NLW) and National Minimum Wage (NMW)

Significant increases in minimum wage rates take effect from 1 April 2020. The NLW, which is the rate for workers aged over 25 years, increases by 6.2%. The government states this equates to an annual pay rise of up to £930 for a full time worker. From 1 April 2020, the new hourly rates of NLW and NMW are:

- £8.72 for those over 25 years old
- £8.20 for 21-24 year olds
- £6.45 for 18-20 year olds
- £4.55 for under 18s
- £4.15 apprentice rate for apprentices under 19, and those 19 and over in their first year of apprenticeship.

Tax treatment of welfare counselling provided by employers

The government will extend the scope of non-taxable counselling services to include related medical treatment, such as cognitive behavioural therapy, when provided to an employee as part of an employer's welfare counselling services. The changes will take effect from April 2020.

National Insurance holiday for employers of veterans in the first year of civilian employment

To support the employment of veterans, the government is meeting the commitment to introduce a National Insurance holiday for employers of veterans in their first year of civilian employment.

A full digital service will be available to employers from April 2022. However, transitional arrangements will be in place in 2021/22 which will effectively enable employers of veterans to claim this holiday from April 2021.

The holiday will exempt employers from any NICs liability on the veteran's salary up to the Upper Earnings Limit. The government will consult on the design of this relief.

Increasing the flat rate deduction for homeworking

The government will increase the maximum flat rate income tax deduction available to employees to cover additional household expenses from £4 per week to £6 per week where they work at home under homeworking arrangements. This will take effect from April 2020.

Review of Enterprise Management Incentives (EMI) scheme

The government will review the EMI scheme to ensure it provides support for high-growth companies to recruit and retain the best talent so they can scale up effectively, and examine whether more companies should be able to access the scheme.

Van benefit charge nil-rating for zero emission vans

From April 2021, the government will apply a nil rate of tax to zero-emission vans within the van benefit charge.

Business Tax

Corporation tax rates

Corporation tax rates have already been enacted for periods up to 31 March 2021.

The main rate of corporation tax is 19%. The rate for the Financial Year beginning on 1 April 2020 was due to fall to 17% but the Chancellor has announced the rate will remain at 19%.

Capital Allowances: Structures and Buildings Allowance

The annual rate of capital allowances available for qualifying investments to construct new, or renovate old, non-residential structures and buildings will increase from 2% to 3%. The change will take effect from 1 April 2020 for corporation tax and 6 April 2020 for income tax.

Enhanced Capital Allowances in Enterprise Zones

The government has announced the 100% first year allowance for investment in new plant and machinery within designated assisted areas within Enterprise Zones will remain available for expenditure incurred in relation to all areas, whenever designated, until at least 31 March 2021.

First year allowances for business cars from April 2021

The government has announced an extension to 100% first year allowances for zero-emission cars, zero-emission goods vehicles and equipment for gas refuelling stations by four years from April 2021. CO_2 emission thresholds will also be amended from April 2021. These determine the rate of capital allowances available through which the capital expenditure for business cars can be written down. The thresholds will be reduced from 50g/km to 0g/km for the purpose of the first year allowances for low CO_2 emission cars and from 110g/km to 50g/km for the purpose of WDAs for business cars.

Comment

The reduction in thresholds will mean that only business cars acquired with CO_2 emissions of 0g/km will be eligible for first year allowances. Ultra-low emission vehicles which currently qualify for first year allowances if 50g/km or less will no longer qualify. They will be eligible for WDAs at the main rate (18%). Cars with CO_2 emissions exceeding 50g/km will be eligible for WDAs at the special rate (6%).

Research and Development (R&D) tax relief

The rate of tax credit for companies falling within the Research and Development Expenditure Credit (RDEC) scheme will rise by 1% to 13% from 1 April 2020. This relief is given as an above the line credit for companies undertaking qualifying R&D.

Budget 2018 announced that, from 1 April 2020, the amount of payable R&D tax credit that a qualifying loss-making company can receive in any tax year will be restricted to three times the company's total PAYE and NICs liability for that year. The government has now announced the implementation of the restriction will be delayed to 1 April 2021.

Corporation tax loss relief

Draft legislation has been issued to extend the rules that potentially limit the use of brought forward losses to include brought forward capital losses. Companies (and corporate groups) will continue to have a £5 million 'deductions allowance' before restrictions apply.

The changes will have effect where carried forward capital losses are used to offset chargeable gains accruing from 1 April 2020.

Comment

The inclusion of capital losses will mean that it will be more likely that the deductions allowance will be exceeded.

Intangible fixed assets

The government has announced an extension to corporation tax relief for intangible fixed assets. All pre-Finance Act 2002 intangible assets acquired from 1 July 2020 will come within the intangible fixed asset regime, subject to certain transitional provisions.

Comment

This measure removes a restriction that exists in relation to pre-Finance Act 2002 intangible assets that prevents some companies from claiming relief for older, well-established intellectual property rights. The change will mean that corporate intangible assets will now be relieved and taxed under a single regime for acquisitions from 1 July 2020.

Digital Services Tax

The government has confirmed a new 2% tax on the revenues of search engines, social media platforms and online marketplaces which derive value from UK users. The tax only applies when the group's worldwide revenues from these digital activities are more than £500 million and more than £25 million of these revenues are derived from UK users.

The tax will apply from 1 April 2020.

Freeports

The government is consulting on proposals to create up to ten freeports across the UK which would have different customs rules to those which apply in the rest of the UK.

The government is considering a UK freeport model which would include multiple customs zones located within or away from a port, as well as a type of special economic zone (SEZ) designated over or around the customs zones. The government intends to work with the devolved administrations to develop proposals to allow freeports to be created in Scotland, Wales and Northern Ireland, in addition to those in England.

The proposals include the following customs and tariff benefits for businesses bringing goods into a freeport site:

- duty suspension, with no tariffs, import VAT or excise to be paid on goods brought into a freeport from overseas until they leave the freeport and enter the UK's domestic market
- duty inversion, if the duty on a finished product is lower than that on the component parts, allowing businesses to import components duty free, manufacture the final product in the freeport, and then pay the duty at the rate of the finished product when it enters the UK's domestic market
- duty exemption for re-exports, allowing businesses to import components duty free, manufacture the final product in the freeport and pay no tariffs when the final product is re-exported
- simplified customs procedures for businesses accessing freeports.

Comment

Freeports are secure customs zones located at ports where business can be carried out inside a country's land border, but where different customs rules apply. Typically, goods brought into a freeport do not attract a requirement to pay duties until they leave the freeport and enter the domestic market. No duty is payable at all if the goods are re-exported.

Business rates

Business rates have been devolved to Scotland, Northern Ireland and Wales. The government has already announced that, for one year from 1 April 2020, the business rates retail discount for properties with a rateable value below £51,000 in England will increase from one third to 50% and will be expanded to include cinemas and music venues. To support small businesses in response to COVID-19, the retail discount will be increased to 100% and expanded to include hospitality and leisure businesses for 2021.

The government previously committed to introducing a £1,000 business rates discount for pubs with a rateable value below £100,000 in England for one year from 1 April 2020. To further support pubs, in response to COVID-19 the discount for pubs will be increased to £5,000.

The government is launching a fundamental review of business rates to report in the autumn. A call for evidence will be published in the spring.

Time to Pay

The government will ensure that businesses and self-employed individuals in financial distress and with outstanding tax liabilities receive support with their tax affairs.

HMRC has set up a dedicated COVID-19 helpline to help those in need, and they may be able to agree a bespoke Time to Pay arrangement. Time to Pay gives businesses a time-limited deferral period on HMRC liabilities owed and a pre-agreed time period to pay these back.

Statutory Sick Pay

The government will support small and medium-sized businesses and employers to cope with the extra costs of paying COVID-19 related SSP by refunding eligible SSP costs. The eligibility criteria for the scheme include:

- the refund will be limited to two weeks per employee
- employers with fewer than 250 employees will be eligible. The size of an employer will be determined by the number of people they employed as of 28 February 2020
- employers will be able to reclaim expenditure for any employee who has claimed SSP (according to the new eligibility criteria) as a result of COVID-19
- employers should maintain records of staff absences, but should not require employees to provide a GP fit note
- the eligible period for the scheme will commence from the day on which the regulations extending SSP to self-isolators come into force.

Capital Taxes

Capital gains tax (CGT) rates

The current rates of CGT are 10%, to the extent that any income tax basic rate band is available, and 20% thereafter. Higher rates of 18% and 28% apply for certain gains; mainly chargeable gains on residential properties with the exception of any element that qualifies for Private Residence Relief.

There are two specific types of disposal which potentially qualify for a 10% rate up to a lifetime limit for each individual:

- Entrepreneurs' Relief (ER). This is targeted at directors and employees of companies who own at least 5% of the ordinary share capital in the company, provided other minimum criteria are also met, and the owners of unincorporated businesses.
- Investors' Relief. The main beneficiaries of this relief are external investors in unquoted trading companies who have newly-subscribed shares.

Investors' Relief has a lifetime limit of £10 million, however the lifetime limit position for ER has been changed in the Budget and is considered further below.

CGT annual exemption

The CGT annual exemption is £12,000 for 2019/20 and £12,300 for 2020/21.

Entrepreneurs' Relief (ER)

The lifetime limit is reduced from £10 million to £1 million for ER qualifying disposals made on or after 11 March 2020.

There are special provisions for disposals entered into before 11 March 2020 that have not been completed.

Comment

The government's manifesto stated clearly that there would be a reform and review of this relief, so a reduction in the limit was not unexpected, though the magnitude of the reduction and the immediate implementation will be a surprise. No other consultations to reform the relief were announced.

Private Residence Relief (PRR)

Draft legislation has been issued to make changes to the PRR regime from 6 April 2020. For properties that have not been occupied throughout the period of ownership, available deductions for capital gains tax purposes will be amended as follows:

- the final period exemption will be reduced from 18 months to nine months (there are no changes to the 36 months that are available to disabled persons or those in a care home)
- lettings relief will be reformed so that it only applies in those circumstances where the owner of the property is in shared occupancy with a tenant.

Comment

At present, lettings relief gives up to £40,000 relief (£80,000 for a couple who jointly own the property) for someone letting part, or all, of a property which is their main residence, or was the former main residence at some point in their period of ownership. Despite concerns raised during the consultation about periods of letting prior to April 2020 and whether the current rules should be allowed to apply, the government is proceeding as planned and lettings reliefs will be abolished except in very limited circumstances of co-occupation with a tenant. The changes apply for disposals on or after 6 April 2020, regardless of when the period of letting took place.

Payments on account and 30 day returns

Legislation has been enacted to change reporting obligations for residential property gains chargeable on UK resident individuals, trustees and personal representatives. Also introduced is a requirement to make a payment on account of the associated CGT liability. For disposals made on or after 6 April 2020:

- a tax return is required if there is a disposal of UK land on which a residential property gain accrues
- CGT is required to be computed on the reported gain in the tax return.

The return needs to be filed and the CGT paid within 30 days of the completion date of the property disposal.

The new requirements do not apply if a chargeable gain does not arise, for example where the gains are covered by PRR.

Inheritance tax (IHT) nil rate bands

The nil rate band has remained at £325,000 since April 2009 and is set to remain frozen at this amount until April 2021. An additional nil rate band, called the 'residence nil rate band' (RNRB), continues to be phased in. For deaths in 2019/20 it is £150,000 rising to £175,000 for deaths in 2020/21. Thereafter it will rise in line with CPI.

Comment

The RNRB was introduced in April 2017 to allow the family home to be passed more easily to direct descendants on death without incurring a charge to IHT. There are, however, a number of conditions that must be met in order to obtain the RNRB, which may involve redrafting an existing will.

Stamp Duty Land Tax (SDLT) surcharge

A SDLT surcharge on non-UK residents purchasing residential property in England and Northern Ireland is to go ahead. The 2% surcharge is to take effect from 1 April 2021. Where contracts are exchanged before 11 March 2020 but complete or are substantially performed after 1 April 2021, transitional rules may apply.

Other Matters

VAT

E-publications

The government will introduce legislation to apply a zero rate of VAT to e-publications from 1 December 2020, to make it clear that e-books, e-newspapers, e-magazines and academic e-journals are entitled to the same VAT treatment as their physical counterparts.

Tampon tax

From 1 January 2021 the government will apply a zero rate of VAT to women's sanitary products.

Postponed accounting

From 1 January 2021 postponed accounting for VAT will apply to all imports of goods, including those from the EU.

Comment

The postponed accounting for VAT aims to provide a boost to those VAT registered UK businesses which are integrated in international supply chains as they adapt to the UK's new trading arrangements under Brexit.

Insolvency

Draft legislation has been issued to amend insolvency legislation from 1 December 2020. Broadly, HMRC will move up the creditor hierarchy for the distribution of assets in the event of an insolvency. HMRC will become a secondary preferential creditor in respect of certain tax debts held by a business which represent amounts paid by customers or employees. The taxes include VAT, PAYE, employee NICs and Construction Industry Scheme deductions.

The rules will remain unchanged for taxes owed by businesses themselves, such as Corporation Tax and employer NICs.

Draft legislation has also been issued to make directors, and other persons connected to companies subject to an insolvency procedure, jointly and severally liable for amounts payable to HMRC by the company in certain circumstances. This is mainly for cases where the company has engaged in avoidance, evasion or 'phoenixism'. This measure applies to all tax periods ending, and to facilitation penalties determined and issued, after the date of Royal Assent of the next Finance Act.

Comment

The rationale for HMRC to become a preferential creditor for certain taxes is that the taxes represent payments by customers (such as VAT) or deductions from employees (such as PAYE) and these amounts should 'go to fund public services rather than being distributed to other creditors'.

Plastic Packaging Tax

This will be a new tax that applies to plastic packaging produced in or imported into the UK that does not contain at least 30% recycled plastic. The tax rate will be £200 per tonne of non-compliant plastic packaging. A consultation on the design and implementation of the tax has been issued and the tax is to take effect from April 2022.

Rates and Allowances 2020/21

INCOME TAX

Rates and bands (other than savings and dividend income)

2020/21		2019/20	
Band £	**Rate %**	**Band £**	**Rate %**
0 - 37,500	20	0 - 37,500	20
37,501 - 150,000	40	37,501 - 150,000	40
Over 150,000	45	Over 150,000	45

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

Savings income	**2020/21 and 2019/20**
Savings allowance basic rate	£1,000
Savings allowance higher rate	£500

A starting rate of 0% may be available unless taxable non-savings income exceeds £5,000.

Dividend income	**2020/21 and 2019/20**
Dividend allowance	£2,000
Dividend ordinary rate	7.5%
Dividend upper rate	32.5%
Dividend additional rate	38.1%

INCOME TAX RELIEFS

	2020/21	**2019/20**
Personal allowance	£12,500	£12,500
Personal allowance income limit	£100,000	£100,000
Marriage allowance	£1,250	£1,250
Married couple's allowance	£9,075	£8,915
- minimum amount	£3,510	£3,450
- income limit	£30,200	£29,600
Blind person's allowance	£2,500	£2,450

INDIVIDUAL SAVINGS ACCOUNTS

	2020/21	**2019/20**
Overall investment limit	£20,000	£20,000
Junior account investment limit	£9,000	£4,368

PENSIONS

	2020/21	**2019/20**
Lifetime Allowance limit	£1,073,100	£1,055,000
Annual Allowance limit	£40,000	£40,000
Money Purchase Annual Allowance	£4,000	£4,000

DEVOLVED INCOME TAX

Scotland rates and bands

2020/21		2019/20	
Band £	**Rate %**	**Band £**	**Rate %**
0 - 2,085	19	0 - 2,049	19
2,086 - 12,658	20	2,050 - 12,444	20
12,659 - 30,930	21	12,445 - 30,930	21
30,931 - 150,000	41	30,931 - 150,000	41
Over 150,000	46	Over 150,000	46

Wales rates and bands

2020/21		2019/20	
Band £	**Rate %**	**Band £**	**Rate %**
0 - 37,500	20	0 - 37,500	20
37,501 - 150,000	40	37,501 - 150,000	40
Over 150,000	45	Over 150,000	45

NATIONAL INSURANCE

2020/21 Class 1 (employed) rates

Employee		**Employer**	
Earnings per week	**%**	**Earnings per week**	**%**
Up to £183	Nil	Up to £169	Nil
£183.01 - £962	12	Over £169	13.8
Over £962	2		

Entitlement to contribution-based benefits for employees retained for earnings between £120 and £183 per week. The employer rate is 0% for employees under 21 and apprentices under 25 on earnings up to £962 per week.

Class 1A (employers)	13.8% on employee taxable benefits
Class 1B (employers)	13.8% on PAYE Settlement Agreements
Class 2 (self-employed)	flat rate per week £3.05 small profits threshold £6,475 per annum
Class 3 (voluntary)	flat rate per week £15.30
Class 4 (self-employed)	9% on profits between £9,500 and £50,000 plus 2% on profits over £50,000

INHERITANCE TAX

Death rate	**Lifetime rate**	**Chargeable transfers 2020/21 and 2019/20**
Nil	Nil	0 - £325,000 (nil rate band)
40%	20%	Over £325,000

A further nil rate band of £175,000 (£150,000 for 2019/20) may be available in relation to current or former residences.

CAR, VAN AND FUEL BENEFITS

2020/21	Cars registered pre 6.4.20	Cars registered after 5.4.20
CO_2 emissions g/km	% of list price taxed	% of list price taxed
0	0	0
1-50		
Electric range -130 or more	2	0
70 - 129	5	3
40 - 69	8	6
30 - 39	12	10
under 30	14	12
51-54	15	13
For every extra 5	+1	+1
160 and above	37	n/a
170 and above	n/a	37

For fully diesel cars generally add a 4% supplement (unless the car is registered on or after 1 September 2017 and meets the Euro 6d emissions standard) but the maximum is still 37%. For emissions over 75g/km if the CO_2 figure does not end in a 5 or 0 round down to the nearest 5 or 0.

	2020/21
Car fuel benefit	£24,500
Van benefit	£3,490
Van fuel benefit	£666

CAPITAL ALLOWANCES

First Year Allowance (FYA) on certain plant, machinery and cars up to 50g/km — **100%**

Annual Investment Allowance (AIA) £1,000,000 (£200,000 from 1 January 2021)
Excludes cars and expenditure already qualifying for FYA

Writing Down Allowance
Expenditure not qualifying for AIA or FYA:

Long-life assets, integral features of buildings, cars over 110g/km — **6%**

Other plant and machinery — **18%**

Structures and Buildings Allowance — **3%**
From April 2020

CORPORATION TAX

	Rate %		Rate %
Year to 31.3.21	19	Year to 31.3.20	19

Different rates apply for ring-fenced (broadly oil industry) profit.

VALUE ADDED TAX

	From 1.4.20	From 1.4.19
Standard rate	20%	20%
Reduced rate	5%	5%
Annual Registration Limit	£85,000	£85,000
Annual Deregistration Limit	£83,000	£83,000

CAPITAL GAINS TAX

Individuals	2020/21	2019/20
Exemption	£12,300	£12,000
Standard rate	10%	10%
Higher/additional rate	20%	20%
Trusts		
Exemption	£6,150	£6,000
Rate	20%	20%

Higher rates (18/28%) may apply to the disposal of certain residential property and carried interest.

Entrepreneurs' Relief

The first £10m of qualifying gains are charged at 10%. This is reduced to £1m for disposals on or after 11 March 2020 subject to certain transitional rules.

PROPERTY TAXES

Across the whole of the UK, residential rates may be increased by 3% (4% in Scotland) where further residential properties are acquired.

Stamp Duty Land Tax

Land and buildings in England and N. Ireland

Residential Band £	Rate %	Non-residential Band £	Rate %
0 - 125,000	0	0 - 150,000	0
125,001 - 250,000	2	150,001 - 250,000	2
250,001 - 925,000	5	Over 250,000	5
925,001 - 1,500,000	10		
Over 1,500,000	12		

First-Time Buyer relief may apply to residential purchases up to £500,000.

Land and Buildings Transaction Tax

Land and buildings in Scotland

Residential Band £	Rate %	Non-residential Band £	Rate %
0 - 145,000	0	0 - 150,000	0
145,001 - 250,000	2	150,001 - 250,000	1
250,001 - 325,000	5	Over 250,000	5
325,001 - 750,000	10		
Over 750,000	12		

First-Time Buyer relief may apply on the first £175,000 of residential purchases.

Land Transaction Tax

Land and buildings in Wales

Residential Band £	Rate %	Non-residential Band £	Rate %
0 - 180,000	0	0 - 150,000	0
180,001 - 250,000	3.5	150,001 - 250,000	1
250,001 - 400,000	5	250,001 - 1,000,000	5
400,001 - 750,000	7.5	Over 1,000,000	6
750,001 - 1,500,000	10		
Over 1,500,000	12