

## THE BUDGET 11 March 2020

### PERSONAL TAX

	2020-21	Value of restricted Allowance	2019-20	Value of restricted Allowance
	£	£	£	£
<b>PERSONAL ALLOWANCES</b>				
Personal allowance	12,500		12,500	
Blind person	2,500		2,450	
Upper income limit	100,000		100,000	
Married couple (one spouse born pre 6 April 1935)	9,075	907.50	8,915	891.50
Upper income limit for marriage allowance	30,200		29,600	
<b>INCOME TAX RATES</b>				
20%	0 - 37,500		0 - 37,500	
40%	37,500 - 150,000		37,500 - 150,000	
45%	Over 150,000		Over 150,000	

A 0% band applies for interest income only falling in the first £5,000 of taxable income. This is only available if your only source of taxable income is from savings income. A savings allowance means that the first £1,000 of interest on savings (£500 for higher rate taxpayers) will be tax free. A new property and trading allowance for each will apply from April 2017 meaning that no tax will be payable if income (before expenses) from these sources is below £1,000.

The zero rate dividend allowance of £2,000 remains for 2020-21. Dividends over £2,000 will be taxed at the appropriate rates of 7.5%, 32.5% and 38.1%.

The personal allowance is reduced by £1 for every £2 of income over £100,000 up to a maximum of the full personal allowance. No personal allowance will be given to those earning over £125,000. A spouse who earns less than the personal allowance (£12,500) can transfer up to £1,250 to their spouse tax free, providing the recipient is not a higher rate taxpayer. Claims only online, for the MA can be backdated for up to four years.

### SAVERS

The limit to investments in ISA's will remain at £20,000 any combination of cash or stocks and shares. ISA savers will be allowed to withdraw and replace money from their cash ISA without counting towards their annual subscription as long as the repayment is made in the same tax year as the withdrawal. No tax is payable on any interest, dividends or capital gains in ISA investments.

Junior ISA allowance has increased to £9,000 p.a. from 4,368 p.a. The lifetime ISA allowance remains at £4,000 p.a. with the government putting in a 25% bonus at the end of every tax year. Contributions can be made from the age of 18 to 50. Help to buy ISA for first time home buyers, aged 18 to 40, closed to new accounts on 30 November 2019. If you opened your account before then you can keep saving until 30 November 2029 when the scheme will close to additional contributions. The government add their 25% bonus (£3,000 max) and you need to have saved £12,000 taking 5 years, to achieve this. You can contribute to lifetime ISA and a buy to let ISA at the same time. The maximum property price you can buy is £250,000 outside London and £450,000 in London. Alternatively the lifetime ISA can be used for retirement but cannot be withdrawn until 60 years of age.

### NATIONAL LIVING WAGE

For 25 and over year old workers the new national living wage applies from April 2020 of £8.72 an hour (prev £8.21)

For 21 to 24 year old workers the rate is £8.20 an hour. (prev £7.70)

For 18 to 20 year old workers the rate is £6.45 an hour. (prev £6.15)

For 16 to 17 year old workers the rate is £4.55 an hour. (prev £4.35)

Apprentices are entitled to a wage of £4.15 an hour (prev £3.90)

### FLAT RATE TAX DEDUCTION FOR HOME WORKING

From April 2020 the maximum flat rate income tax deduction to cover employees' additional household expenses has been increased to £6 per week from £4.



**SOCIAL SECURITY BENEFITS**

		<b>2020-21</b>	2019-20
		<b>£ per week</b>	£ per week
Pension	Single (increase by 2.5%)	<b>134.25</b>	129.20
	Married	<b>214.70</b>	206.65
	New single pension from 6 Apr 2016	<b>175.20</b>	168.60
Jobseekers allowance	Over 25's	74.35	73.10
Child benefit	First child	<b>21.05</b>	20.70
	Subsequent	<b>13.95</b>	13.70
Incapacity benefit	Long-term	<b>114.15</b>	112.25
Carer's allowance	Standard	<b>67.25</b>	66.15

**NATIONAL INSURANCE****CLASS 1 2020-21****Employee - contracted in**

Up to £183 p.w. (£9,500 pa)

Nil

Up to £183 p.w.

**Employer - contracted in**

Nil

£183.01 to £962.00 p.w.

12%

Above £962 p.w. (£50,024 pa)

2%

Above £169 p.w.

13.8%

For 2020-21, the monthly earnings before national insurance is due is estimated at £792 per month (£9,500 pa).

The NI employment allowance for 2020-21 has changed to £4,000 (prev £3,000) and the allowance will be only available for businesses with an employer NI bill below £100,000.

**CLASS 2 Self employed— delayed abolition until next parliament****On earnings over £6,475 (£6,365)****2020-21****£ per week****3.05**

2019-20

£ per week

3.00

**CLASS 3 Voluntary - flat rate****15.30**

15.00

**CLASS 4 Self employed**

9% of profits between £9,500 and £50,000

2% of profits above £50,000

**STATUTORY SICK PAY (SSP)****2020-21****£ per week****95.85**

2019-20

£ per week

94.25

Flat rate

Small and medium-sized businesses will be refunded by HMRC for 14 days of eligible SSP costs to help cope with COVID-

**STATUTORY MATERNITY PAY (SMP)**

First 6 weeks (% of average weekly earnings)

**90%**

90%

Remaining weeks - max 33

**151.20**

148.68

Rate is lower of 90% of average weekly earnings or £151.20

**STATUTORY PATERNITY PAY (SPP)**

Two weeks (as 33 weeks SMP payments)

**151.20**

148.68

**STATUTORY REDUNDANCY PAY**

The current statutory redundancy pay amount is the lower of either the actual weekly wage or £525 per week. The maximum amount of statutory redundancy pay is £15,750.

**INHERITANCE TAX**

The nil rate band for Inheritance tax remains at £325,000 with amounts over £325,000 being taxed at 40%. Additional residence nil rate band (RNRB) of £175,000 (2019-20 £150,000) for transfers of a main residence to direct descendants. NRB and RNRB for estate of surviving spouse are increased by unutilised percentage of NRB and RNRB of predeceased spouse. This brings the total nil rate band for 2020-21 to £500,000. RNRB tapers away for estates over £2m.

You can make gifts amounting to £3,000 in any tax year, which can be carried forward to the following tax year if previously unused, giving a maximum allowance £6,000.

**CORPORATION TAX**

	<b>2019-20 Profit</b>	<b>2019-20</b>	2019-20 Profit £000's	2019-20
	<b>£000's</b>			
Small profits' rate	<b>0 - 300</b>	<b>19%</b>	0 - 300	19%
Upper marginal rate	<b>300-1,500</b>	<b>19%</b>	300-1,500	19%
Standard rate	<b>over 1,500</b>	<b>19%</b>	over 1,500	19%

Corporation tax rates has been held at 19% from 1 April 2020, instead of 17% previously announced. Indexation allowance for corporate capital gains is frozen from 1 January 2018.

## CAPITAL ALLOWANCES

The maximum Annual Investment Allowance (AIA) will remain at £1m from 1 January 2019 to 31 December 2020, reverting to £200,000 from 1 January 2021, as it was up to 31 December 2018. Writing Down Allowances (WDA) will remain at 18%. Capital allowances on cars with CO2 emissions over 110g/km will be eligible for a restricted WDA of 6% with those under 110g/km eligible for the standard 18% WDA. Cars with less than 50g/km of CO2 emissions attract a 100% allowance.

## STRUCTURE and BUILDING ALLOWANCE

The relief is available for expenditure on non-residential buildings, for which construction contracts are entered into after 29 October 2018. Qualifying costs will relate to construction, improvement, conversion, including demolition costs and land alteration costs. The rate has increased to 3% , from 2%, effective from 1 April 2020.

## VALUE ADDED TAX

	New	Previous
Annual net turnover (effective 1 April 2018) registration limit (also Frozen until April 2022)	<b>£85,000</b>	£85,000
Annual net turnover (effective 1 April 2017) deregistration limit	<b>£83,000</b>	£83,000
Flat rate registration limit	<b>£150,000</b>	£150,000
Flat rate deregistration limit	<b>£230,000</b>	£230,000
Cash and annual accounting registration limit	<b>£1,350,000</b>	£1,350,000
Cash and annual accounting deregistration limit	<b>£1,600,000</b>	£1,600,000

Prior period VAT errors can be adjusted for on the next VAT return up to a limit of £10,000 but must be disclosed to HM Revenue & Customs (HMRC) in writing. Any errors above this limit will need to be separately notified to HMRC. The standard rate of VAT will remain at 20%.

## VAT Reverse Charge

The VAT reverse charge for construction services will apply from the 1st October 2020, in a bid to tackle fraud in the construction industry. The reverse charge will apply to transactions between VAT-registered businesses, and it will mean the customer is now liable to account for VAT in purchases rather than the supplier. The VAT cash will no longer flow between businesses and will have to be registered and stated on the invoice as a reverse charge.

## VAT FUEL SCALE RATES FOR PRIVATE MOTORING ON PETROL AND DIESEL VEHICLES

Please use the following link to work out your VAT fuel scale charge. <https://www.gov.uk/fuel-scale-charge>

## LANDLORD'S: MORTGAGE INTEREST AND RENT A ROOM

Mortgage interest relief on buy to let properties for residential properties will be restricted to 0% allowable as higher rate relief with 100% balance allowable at the basic rate - 20% (2019-20: 25% restriction with 75% at basic rate). No wear and tear allowance remains in place for fully furnished properties instead cost of replacement of furnishings allowable. Rent a room relief remains at £7,500.

## CAPITAL GAINS TAX

	2020-21	2019-20
Personal annual exemption (trustees)	<b>£12,000 (6,150)</b>	£12,000 (6,000)

Basic rate tax payers pay Capital Gains tax at 10% and higher rate tax payers at 20%. There is an 8% surcharge for residential property reverting to the basic rate and higher rate levels 18% and 28% respectively.

## Letting Relief and Final Period Exemption

Reforms to lettings relief from April 2020 will see relief only given when the property owner is in shared occupancy with the tenant. The final period exemption will also be reduced to 9 months (previously 18 months) from 5 April 2020.

**Entrepreneurs relief** is available for the disposal of a trading business or shares in a trading company, providing the seller is an officer or employee of the company and have a minimum of 5% of the distributable profits and the net assets of the company. Prior to 29 October 2018 entrepreneurs only had to own 5% of the share capital and voting rights to qualify. The entrepreneurs relief will reduce the effective rate to 10%. The lifetime limit on qualifying gains, for disposals on or after 11 March 2020, has been reduced to £1 million. The period of ownership post 6 April 2019 now needs to be more than 2 years. The relief also applies to shareholdings in unlisted companies which have been held for more than 3 years.

## ENTERPRISE INVESTMENT SCHEME (EIS)

EIS allowed to invest up to £1 million (£2 million in knowledge-intensive companies) with up to 30% income tax relief.

## SEED ENTERPRISE INVESTMENT SCHEME (SEIS) AND ENTERPRISE MANAGEMENT INCENTIVES (EMI)

Seed EIS allows investors to commit up to £100,000 in a single company with up to 50% income tax relief. 50% of the amount invested in qualifying businesses can be set off gains.

EMI schemes allows employees to hold options worth up to £250,000. Gains are charged at the 10% entrepreneurial relief rate.

## STAMP DUTY AND LEASES

	Residential		Non Residential	
Property	Up to £125,000	<b>Nil</b>	Up to £150,000	<b>Nil</b>
	Next £125,000	<b>2%</b>	Next £100,000	<b>2%</b>
	Next £675,000	<b>5%</b>	Anything over £250,000	<b>5%</b>
	Next £575,000	<b>10%</b>		
	Anything over £1.5m	<b>12%</b>		
	Stamp duty will be abolished for first-time buyers purchasing properties valued at up to £300,000, or on the first £300,000 of a property priced up to £500,000. The extra £200,000 will be taxed at 2%. On a purchase price of £500,000 stamp duty will be £10,000 a saving of			
Shares		<b>0.5%</b> (No duty on amounts <£1,000)		
		<b>0.0%</b> (On shares traded on growth markets such as AIM and ISDX)		

Buy to let or additional home purchases will still face a 3% increase to the above rates. A 15% stamp duty tax rate is applicable on residential properties worth over £500,000 that are purchased through companies. From 1 April 2021 a non UK resident buyer of UK property will pay a 2% surcharge on the stamp duty that would be paid by a UK resident.

## EXCISE DUTY CHANGES

### Alcohol and tobacco

Cigarettes (pack of 20)	27p increase ( + 2%)
Beer (per pint)	no change
Wine (per 75cl bottle)	no change
Spirits (per bottle)	no change

### Vehicles and fuel

Main fuel	no change
Road fuel gases	no change
Rebated gas oil (red diesel)	no change
Heavy fuel oil	no change

### Road Fund Licence (vehicles registered after 1 April 2017)

From 1 April 2017 a new banding system will come into effect for new vehicles. There will be a single standard rate of £140 except for cars with zero emission (£0) or cars worth over £40,000 which attract an additional supplement of £310 per year for the first 5 years.

## PENSION SCHEME

Instead of buying an annuity there is an option for those with defined contribution pensions to drawdown from their funds, paying tax on this income at their income rates of tax. The lifetime allowance for pension schemes has increased to £1.0731 million (2019-20: £1.055 million).

## BENEFICIAL LOANS TO EMPLOYEES

The taxable threshold for cheap or interest free loans to employees is £10,000. Employers will not have to report details of small loans where the outstanding balance is £10,000 or less in a tax year. The official HMRC interest rate on these loans from 6 April 2020 will be announced but previously it was 2.5%.

## COMPANY CAR & VAN BENEFITS

The taxable benefit in respect of a car provided by an employer is calculated by reference to the car's carbon dioxide emission rating, with a scale charge varying between 0% (0g/km), 2-14% (1g/km-50g/km), 15-36% (51g/km-159g/km) and 37% (over 160g/km) of the list price. There will be a supplementary charge for diesel cars of 4% up to a maximum of 37% (except those which meet the EU standard for cleaner cars registered before 1 January 2006). For more information on your specific car benefit visit <https://www.gov.uk/calculate-tax-on-company-cars>. Taxable benefits for a van is £3,490 (previous £3,430). There will be an additional charge of £666 if fuel is provided for private use by the employer.

## CAR FUEL BENEFIT

The additional scale charge for the provision of private fuel remains at £24,500. This figure is multiplied by the appropriate car tax percentage to determine the taxable benefit. This is calculated by reference to the car's carbon dioxide emission rating and varies between 2% and 37% of £24,500.

## APPROVED MILEAGE RATES 2020-21

	Up to 10,000 miles	Over 10,000 miles
All cars and vans	<b>45p</b>	<b>25p</b>
Passenger payment (carrying fellow employees) per employee	<b>5p</b>	<b>5p</b>
Motorbike / bicycles	<b>24p / 20p</b>	<b>24p / 20p</b>

## KEY DATES IN TAX CALENDER

31 May 2020	Forms P60 to be given to employees by employers
6 July 2020	Forms P9D/P11D to be given to employees and to HM Revenue & Customs. Class 1A NIC payable by 19 July.
31 July 2020	Second interim payment of tax due for 2019/20.
31 Oct 2020	Deadline for paper submission of 2019-20 tax return if self assessed.
31 Dec 2020	Deadline for submission of tax return for 2019-20 if you wish the tax to be collected in your tax code.
31 Jan 2021	Final deadline for electronic submission of 2019-20 tax return if self assessed. Final payment of tax due for 2019-20. First interim payment of tax due for 2020-21.