



# Spring Budget 2020

Your guide to the Budget

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How will the changes will affect you?

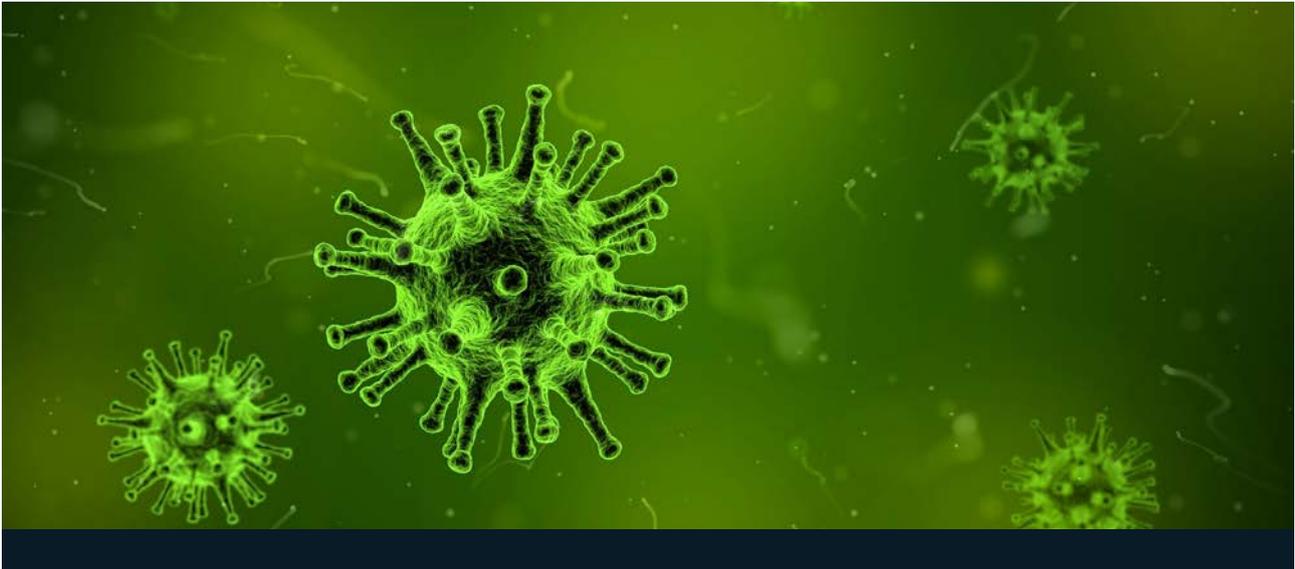
## Introduction

The Chancellor, Rishi Sunak, delivered his first UK Budget, despite only being in the role for 4 weeks. The Budget had previously been delayed following the political turmoil created by Brexit and the December General Election.

Many of the Government's big spending promises made their way into the Budget speech. Whilst the Chancellor's speech mentioned some tax changes the devil was in the detailed documentation released online after the Chancellor sat down.

Here are some of the main Budget announcements in relation to taxation and in respect of Coronavirus crisis.





## Coronavirus/ COVID-19

This was very much a Budget trying to cope with the immediate Coronavirus threat.

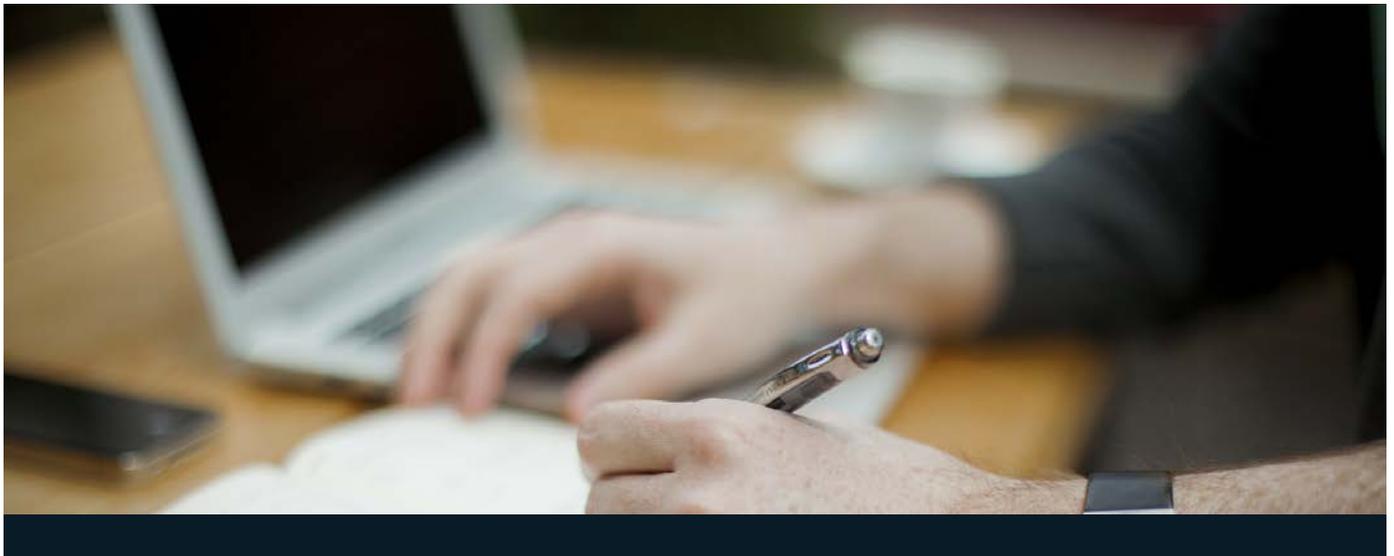
The Chancellor came up with a £12 billion package to try to deal with it such as:

Statutory Sick Pay (SSP) to be paid from day 1 for individuals diagnosed with COVID-19 or who are self-isolating. Small and medium sized businesses will be able to recover up to 2 weeks SSP per eligible employee.

The self-employed and people earning below the lower earnings limit of £118 per week will, during this crisis, find that the requirements surrounding Universal Credit or Contributory Employment and Support allowance will be eased.

Businesses and the self-employed who are in financial distress with outstanding tax liabilities will receive support from HMRC. This will be looked at on a case by case basis.

A new temporary Coronavirus Interruption loan scheme will be launched shortly to support businesses to access bank lending and overdraft facilities.



# Personal Tax

Personal Tax Allowance to remain at £12,500, as announced in a previous Budget.

It is important to note that the tax rates and thresholds are complicated by the fact that the power to vary the tax rates and thresholds of Non-Savings, Non-Dividend income for Scottish taxpayers have been devolved to the Scottish Parliament since April 2017. With the exception of the tax thresholds, similar powers have been passed over to the National Assembly of Wales since April 2019 in respect of Welsh resident taxpayers. The Income Tax Personal Allowance and all other elements of the Income Tax system remain part of the Chancellor's responsibility.

With this in mind, from April 2020 the Personal Tax Allowance will remain at £12,500 and this is for all UK taxpayers.

The phased withdrawal of the personal allowance remains at £100,000, with it being fully removed once the income has reached £125,000.

## Income Tax Rate Bands for taxpayers.

Starting Rate for savings will remain at £5,000.

Once the individuals Personal Tax allowance has been exceeded the balance is then taxed as follows:-

### *Rest of UK Income Tax Rates 2020-21*

Band	Rate
0 to £37,500	20%
£37,501 to £150,000	40%
Over £150,000	45%

### **Tax tip**

It is always worth considering if there is any action which can be taken to ensure individual income is below this £100,000 threshold, as the effective tax rate for the £25,000 above this threshold is 60% (61% Scotland).



Income Tax rates and thresholds for Scottish taxpayers are set by the Scottish Parliament. The rates and thresholds have already been announced but may be subject to change.

*Scottish Income Tax Rates 2020-21*

Band	Rate
0 to £2,085	19%
£2,086 to £12,658	20%
£12,659 to £30,930	21%
£30,931 to £150,000	41%
Over £150,000	46%

It is worth noting that the Dividend Allowance remains at £2,000 from April 2020, and the taxable rates on dividend income remain the same at;

*Dividend tax rates*

Band	Rate
Dividend ordinary rate	7.5%
Dividend upper rate	32.5%
Dividend additional rate	38.1%

## Marriage Allowance

The Marriage Allowance which individuals can transfer to their spouse or civil partner, where the recipient is not a higher rate or additional rate taxpayer and they are not in receipt of the married couple's allowance, remains at £1,250.

It is possible for a claim for the Marriage Allowance to be made in respect of a deceased spouse or civil partner and for that claim to be backdated for up to four years.



## National Insurance

The annual national insurance (NI) threshold for an individual where they start to pay NI on their earned income has been increased by 10% up to £9,500 (£792 per month) from 6th April 2020.

For a typical employee, liable to 12% Class 1 NI, this will result in an annual saving of £104 and for self-employed person, liable to 9% Class 4 NI, the saving will be £78.

The point at which the national insurance rate drops to 2%, known as the Upper Earnings Limit, will remain at £50,000. The Employers annual NI threshold has only increased in line with inflation to £8,788 (£732 per month).

### Tax tip

It is strongly advised you should review your National Insurance records at least every 5 years, whilst it is fresh in your memory bank, to ensure they are correct and up to date. National Insurance contributions protect your rights to certain state benefits and contribute to calculating your state pension. We are happy to carry out this review for you.

## ISA's and Child Trust Funds

The ISA subscription limit from April 2020 will remain at £20,000. The annual subscription limit for Junior ISAs and Child Trust Funds will increase from April 2020 to £9,000 each.

## Life Insurance Policy Gains

From 11<sup>th</sup> March 2020 individuals who make chargeable income gains as a result of surrendering, or partially surrendering, their life insurance policy, will be able to retain their tax free personal allowances where the gain takes them over the £100,000 limit. This is usually the point at which the personal allowances start to be tapered and ultimately lost when the individual's income reaches £125,000.

## Inheritance Tax

The tax rates and nil rate band for Inheritance Tax purposes remain the same. The nil rate band remains at £325,000. The residence nil rate band will increase to £175,000 from 6 April 2020 from the current £150,000.

## Tax tip

Do you know the value of your Estate for inheritance tax purposes? Remember the tax on death, after taking account of reliefs and exemptions, is at 40%. With planning you can potentially mitigate that liability and pass more of your assets over to your loved ones rather than HMRC. Please contact us for an inheritance tax review.

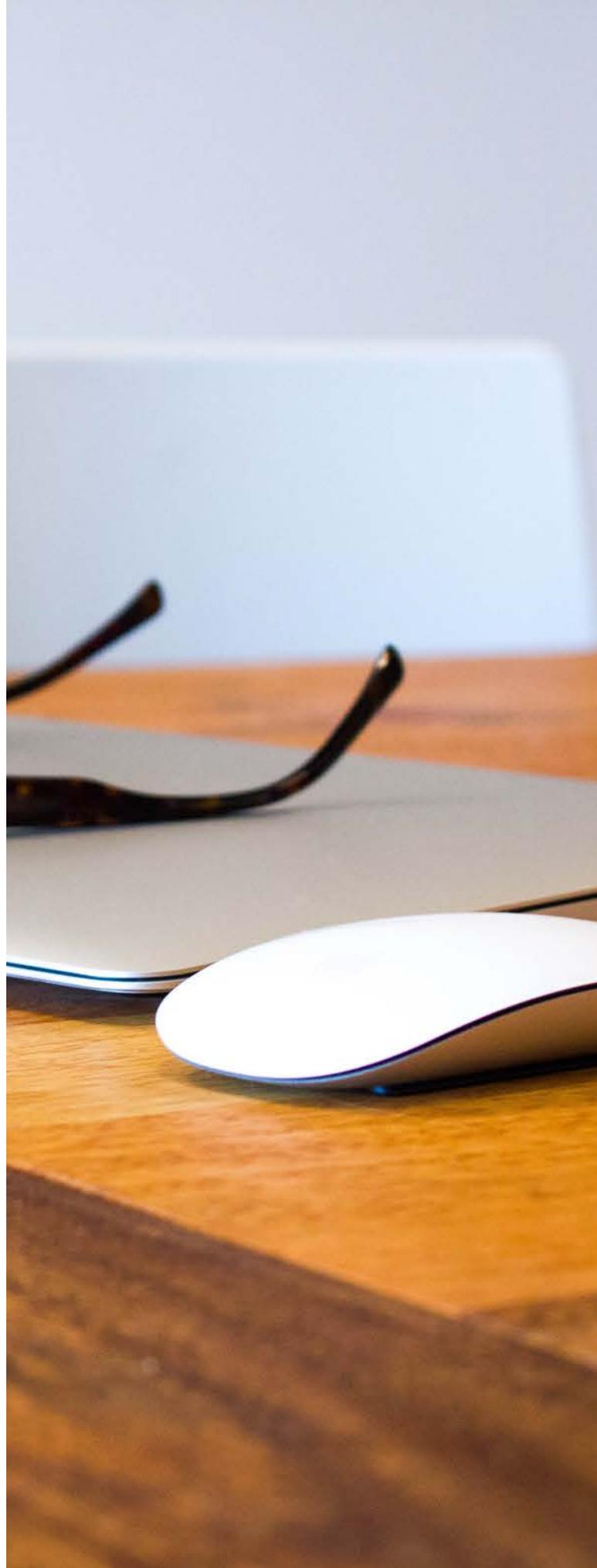
## The Pension Tax Charge

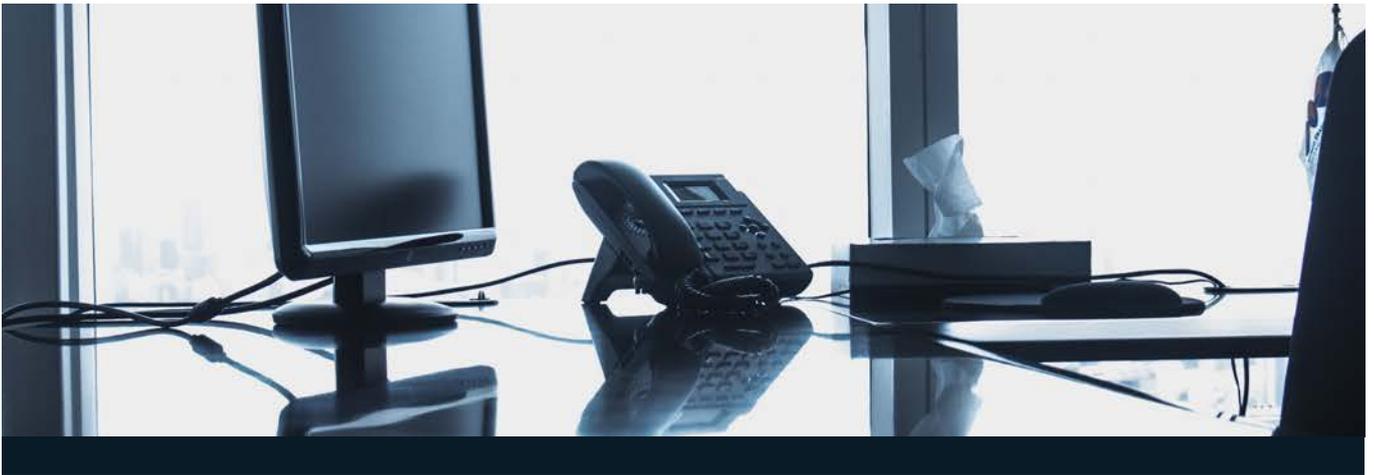
When calculating whether or not an individual is liable to suffer a pension tax charge the two threshold criteria are to be increased from April 2020 by £90,000. The threshold income limit will be £200,000 and the adjusted income limit will rise to £240,000.

However, if the two criteria are breached then the minimum tapered pension annual allowance will be reduced from the present £10,000 to £4,000.

## Tax tip

Always have an annual pension review, with your accountant and qualified IFA, to ensure that you maximise the use of all the pension allowances which may be available to you and to do so in the most tax efficient way. Also it is important that you are not caught by the pension tax charge and that you have not breached the onerous lifetime allowance pension limit.





# Company Tax

The corporation tax (CT) rate which was due to fall to 17% from 1<sup>st</sup> April 2020. However, the Government have revoked that decision and will maintain the CT rate at 19%.

## Employment Allowance

The employment allowance, which can be set off against the employer's national insurance liability, will be increased from £3,000 to £4,000 from April 2020.

## Research and Development (R&D) Expenditure Credit

From 1<sup>st</sup> April 2020, the Government will increase the Research Development Expenditure Credit (RDEC) relief from 12% to 13%. This primarily benefits large companies.

### Tax tip

R&D Expenditure Credit and R&D Tax Credits are often overlooked by businesses. The projects must relate to the trade undertaken by the business and can obtain relief if the project:

- looked for an advance in science and technology
- had to overcome uncertainty
- tried to overcome this uncertainty
- couldn't be easily worked out by a professional in the field

The project may research or develop a new process, product or service or improve on an existing one. If you have any questions about the availability for your business projects please give us a call.

## Corporate Capital losses

Accounting periods ending on or after 1<sup>st</sup> April 2020, where companies make chargeable gains, they will only be able to offset up to 50% of those gains using carried forward (allowable) capital losses. Back in 2017, a corporate income loss restriction (CILR), for carried forward income losses, was introduced. This, however, included an allowance that the first £5 million of profits, per group, could be offset with carried forward losses before the 50% restriction came into play. That allowance can now also be set against chargeable gains and, where applicable, shared with the CILR.



## VAT

The taxable turnover threshold for determining whether a person must register for VAT will remain at £85,000. The point at which a person can apply to deregister will also remain at £83,000.

## Business Rates

As a result of the delay in bringing the Budget to the Nation certain announcements have had to be made in advance of it. One of which is that for certain qualifying businesses the retail discount for business rates will be increased to 50% and the qualifying criteria has been extended to include music venues and cinemas. Public houses with a rateable value of £100,000 or less will get an additional relief of £1,000 which has now been commonly referred to as pub relief. We can all raise a glass to that!!

## The Loan Charge

Following an independent review carried out by Sir Amyas Morse, the Government is amending the loan charge legislation to allow certain taxpayers to no longer be caught by it, as well as enabling those who are, to spread their liability over 3 tax years with a time to pay arrangement.

## Digital Service Tax

From April 2020, the Government will introduce a new 2% tax on revenue from search engines, social media services and online market places which derive value from UK users. This will apply to group's businesses where worldwide revenues from these digital activities are more than £500 million and more than £25 million comes from UK users. Only the excess UK revenue over the £25 million will attract the 2% charge.

# Capital Gains Tax

## The Annual Exemption for Individuals, Personal Representative and Trusts

The annual exempt amount for individuals for gains on the disposals of assets will increase from April 2020 to £12,300. As regards Trusts and Personal Representatives the exemption will increase to £6,150.

### Tax tip

If you dispose of a residential property, after 5<sup>th</sup> April 2020, which triggers off a capital gains tax liability, you will need to fill in a Capital Gains Tax Return within 30 days of completing on the sale and pay the tax over at the same time. Failure to do so could result in penalties being imposed. We have a Residential Property Review Service which can deal with the Return and the tax calculation ensuring that all the relevant reliefs and exemptions, where applicable, are claimed. As part of the service we can also provide pre-sale tax advice.

## Entrepreneurs Relief

From 11<sup>th</sup> March 2020, entrepreneur relief (ER) on the disposal by trustees and individuals, in respect of their business or the sale of shares in their personal company, will only be allowed on the first £1 million of gains eligible for such relief. This is a lifetime limit and takes account of gains which have attracted ER pre that date.





## Car and Van benefits

As previously announced the carbon dioxide (CO<sub>2</sub>) figure that will be used for the company car regime will be based on the Worldwide harmonised Light Vehicle Test Procedure (WLTP) for all new cars registered from 6<sup>th</sup> April 2020. Given the new rigorous testing regime will result in higher CO<sub>2</sub> figures for new cars the Government announced in July 2019 discounted company car tax rates for the next 3 tax years, which have now been officially adopted. In 2020/2021 most company car tax rates are being reduced by 2%, with a new zero percentage rate for pure electric vehicles. The discount will be reduced in future years until 2020/2023 when the rates revert to previously published rates.

Cars registered before 6<sup>th</sup> April 2020 will continue to be based upon the existing CO<sub>2</sub> emissions and existing rates already announced.

The car and van fuel benefit charges will increase by the Consumer Price Index. From 6<sup>th</sup> April 2020 the car fuel benefit multiplier will increase to £24,500 (from £24,100), the flat rate van benefit will increase to £3,490 (from £3,430) and the flat rate van fuel benefit charge will increase to £666 (from £655).

## Car Tax

Vehicle Excise Duty rates will be increased from 1 April 2020 in line with the Retail

Price Index (RPI). Where the list price of zero emission light passenger vehicles exceed £40,000, they will be exempt from the additional supplement.

## Capital Allowances for business cars

The existing 100% First Year Allowance (FYA) for low CO<sub>2</sub> emission cars, zero emission goods vehicles and equipment for gas refuelling stations will be extended to April 2025. The CO<sub>2</sub> emission threshold for First Year Allowance will be reduced in April 2021 from 50g/km to 0g/km. The CO<sub>2</sub> emission threshold for business cars entitled to main rate capital allowances (18%) will be reduced from 100g/km to 50g/km, with those cars exceeding these limits only entitled to special rate allowances of 6%.

The new 50g/km threshold will also apply from April 2021 to the lease rental restriction where business cars are leased for more than 45 consecutive days.

### Tax tip

If you are considering your options regarding a company car, leasing or purchasing a vehicle or taking a cash allowance from your business for mileage, why not ask us to review the most cost effective option for you?



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