

A guide to Budget 2020



A SIMPLE GUIDE TO THE BUDGET 2020

This is a basic guide, prepared by ACCA's Technical Advisory team, for members and their colleagues or clients. It's an introduction only and should not be used as a definitive guide, since individual circumstances may vary. Specific advice should be obtained, where necessary.

The message from the Chancellor was that this is a budget that shows 'the government gets things done.'

You can read the individual measures and details of some of the numerous consultations below.

Rates and allowances

	2019/20	2020/2021
	£	£
Income tax rates - (non-dividend income)		
0% lower rate tax - savings rate only	Up to 5,000	Up to 5,000
20% basic rate tax	12,501 to 50,000	12,501 to 50,000
40% higher rate tax	50,001 to 150,000	50,001 to 150,000
45% additional rate tax	Above 150,000	Above 150,000
Scottish Income tax rates - (non-dividend income)		
19% starting rate tax	12,501 to 14,549	12,501 to 14,585
20% basic rate tax	14,550 to 24,944	14,586 to 25,158
21% intermediate rate tax	29,945 to 43,430	25,159 to 43,430
41% higher rate tax	43,431 to 150,000	43,431 to 150,000
46% top rate	Above 150,000	Above 150,000
Personal allowance		
Personal allowance	12,500	12,500

Dividend allowance

The tax-free dividend allowance is unchanged at £2,000.

Corporation tax

The corporation tax rate will remain at 19%.

Annual investment allowance

Companies will be able to claim £1m as AIA for expenditure incurred from 1 January 2019 to 31 December 2020. No announcement was made on extending the date and if unchanged, it will fall to £200,000.

Structure and Building allowance

The relief was increased to 3% and will be available for expenditure on non-residential buildings, for which construction contracts are entered into after 29 October 2018. The increase will take effect from 1 April 2020 for corporation tax and 6 April 2020 for income tax with transitional rules applying.

Making tax digital

There were no announcements on MTD except that the government will publish an evaluation on the introduction of MTD for Vat.

VAT

	2019/20	2020/21
	£	£
VAT		
Standard rate	20%	20%
Registration threshold	85,000	85,000
Deregistration threshold	83,000	83,000

VAT thresholds remain unchanged.

Entrepreneurs' Relief

The lifetime limit on gains eligible for Entrepreneurs' Relief has been reduced from £10 million to £1 million for qualifying disposals made on or after 11 March 2020.

IR35

The chancellor has pushed ahead with the IR35 changes due to impact businesses from April 2020. All businesses will need to review the Finance Bill, which will contain the rules to be implemented and explanatory notes.

Employment allowance reform

The allowance was increased to £4,000 but is no longer universal with several conditions applying. Including that from April 2020, this will be limited to employers with an employer NICs bill below £100,000 in the previous tax year.

SSP

Small and medium-sized businesses and employers to cope with the extra costs of paying COVID-19 related SSP will be refunded for eligible SSP costs.

Increasing the flat rate tax deduction for home working

From April 2020 the maximum flat rate Income Tax deduction available to employees to cover additional household expenses has been increased from £4 to £6 per week where they work at home under homeworking arrangements.

Time to pay

HMRC has set up a phone helpline 0800 0159 559 to support businesses and self-employed people concerned about not being able to pay their tax due to coronavirus (COVID-19).

Compliance

HMRC have been given the budget to increase compliance and investigation team headcounts by 1,300, with an expectation that they will raise an additional £4.5bn in tax by 2025, including measures such as a crackdown on taxi firms and scrap metal dealers operating in the grey economy and CIS scheme irregularities.

Pension changes

From 6 April 2020, the adjusted income limit will rise to £240,000 (increased from £150,000) and the threshold income limit will rise to £200,000 (increased from £110,000).

For higher earners the government also reduced the minimum reduced annual allowance that you can have under the tapering rules from £10,000 to £4,000.

Business rates

From April 2020 the 50% Retail Rates Relief announced earlier this year is increased to 100% from April 2020. This relief will be extended to include retail, leisure and hospitality sectors, meaning a full relief for those with a rateable value under £51,000 in these sectors. Additionally, small businesses that qualify for 100% Small Business Rate Relief will be eligible for Small Business Grant Funding of £3000 via local authorities. From April 1 2020 a one year business rates discount of £5000 will be available for pubs with a rateable value below £100,000.

Apprenticeships

SMEs should register on the apprenticeship employer hub before the end of the month to benefit from Apprenticeship levy funding.

R&D

Research & Development Expenditure Credit (RDEC) rate increases from 12% to 13% from 1 April 2020. The changes to the PAYE cap on the payable tax credit in the SME R&D schemes has been delayed until April 2021.

IHT

The Nil-rate band remains at £325,000. The residence nil-rate band for deaths in the following tax years are:

- £100,000 in 2017 to 2018
- £125,000 in 2018 to 2019
- £150,000 in 2019 to 2020
- £175,000 in 2020 to 2021

Interest relief for landlords

Landlords will be able to obtain relief as follows:

	Finance cost allowed in full	Finance cost allowed at basic rate
Year to 5 April 2020	25%	75%
Year to 5 April 2021	0%	100%

Phoenix and insolvent companies

The government pushed back the change the rules when a business enters insolvency HMRC will be a preferential creditor to 1 December 2020.

ATED

The ATED charges increase automatically each year in line with inflation (based on the previous September's CPI).

	2019/20	2020/2021
	£	£
Annual Tax on Enveloped Dwellings (ATED)		
More than £0.5m but not more than £1m	3,650	3,700
More than £1m but not more than £2m	7,400	7,500
More than £2m but not more than £5m	24,800	25,200
More than £5m but not more than £10m	57,900	59,850
More than £10m but not more than £20m	116,100	118,050
More than £20m	232,350	236,250

BUDGET 2020: TAX RATES AND ALLOWANCES

	2019/20	2020/21
	£	£
Income tax rates: England and Wales only (non-dividend income)		
0% starting rate for savings only (note 1)	Up to 5,000	Up to 5,000
20% basic rate tax	12,501-50,000	12,501-50,000
40% higher rate tax	50,001-150,000	50,001-150,000
45% additional rate tax	Above 150,000	Above 150,000
Scottish rates of income tax (non-dividend income)		
19% starting rate	12,501-14,549	12,501-14,585
20% basic rate tax	14,550-24,944	14,586-25,158
21% intermediate rate tax	24,945-43,430	25,159-43,430
41% higher rate tax	43,431-150,000	43,431-150,000
46% top rate	Above 150,000	Above 150,000
<i>Note 1: Scottish taxpayers pay the same tax as the rest of the UK on dividends and savings interest.</i>		
Income tax rates (dividend income)		
Dividend allowance	£2,000	£2,000
Dividend ordinary rate (for dividends within basic rate band)	7.50%	7.50%
Dividend upper rate (for dividends within higher rate band)	32.50%	32.50%
Dividend additional rate (for dividends above higher rate band)	38.10%	38.10%
Child benefit/guardian's allowance rates		
Higher rate (eldest or only child) (per week)	20.7%	21.05%
Other children	13.7%	13.95%
Guardian's allowance per week	17.6%	17.90%
<p>1 An income tax charge will apply to taxpayers with 'adjusted net income' exceeding £50,000 in a tax year, when child benefit is also received by them or their partner. The charge will reduce the financial benefit of receiving child benefit for those with income between £50,000 and £60,000 and remove it completely for taxpayers with income above £60,000.</p> <p>2 From January 2021, no child benefit payments are made in respect of children living overseas. This will apply to EEA migrants arriving in the UK under the new immigration system.</p>		

	2019/20	2020/21
Personal allowances	£	£
Personal allowance (note 1)	12,500	12,500
Dividend allowance	2,000	2,000
Maximum married couple's allowance for those born before 6 April 1935 (note 2)	8,915	8,915
Married couple's allowance – minimum amount	3,450	3,450
Micro entrepreneur's allowance: individuals making property or trading incomes below the level of the allowance will no longer need to declare or pay tax, while those whose income exceeds the allowance have the choice of simply deducting the allowance instead of calculating their exact expenses or calculating their profits in the normal manner	Allowance: 1,000 each	Allowance: 1,000 each
Income limit (note 3)	100,000	100,000
Income limit for married couple's allowance: born before 6 April 1935	29,600	29,600
Blind person's allowance	2,450	2,450
Rent-a-room relief	7,500	7,500
Transferable/shareable tax allowance for married couples and civil partners (note 4)	1,250	1,250
	2019/20	2020/21
	£	£
Personal savings allowance for basic rate taxpayers (note 5)	1,000	1,000
Personal savings allowance for higher rate taxpayers	500	500
Personal savings allowance for additional rate taxpayers	0	0
<i>Note 1: From 2016/17 onwards, all individuals are entitled to the same personal allowance, regardless of the individual's date of birth. This allowance is subject to the £100,000 income limit which applies regardless of the individual's date of birth.</i>		
<i>Note 2: This allowance is reduced by £1 for every £2 of income in excess of the income limit, but married couple's allowance will not reduce below £3,450.</i>		
<i>Note 3: Personal allowances are subject to the £100,000 income limit, which applies regardless of the individual's date of birth. The individual's personal allowance is reduced where their income is above this limit. The allowance is reduced by £1 for every £2 above the limit, down to zero.</i>		
<i>Note 4: This allowance is available to married couples and civil partners who are not in receipt of married couple's allowance. A spouse or civil partner who is not liable to income tax, or not liable at the higher or additional rates, can transfer this amount of their unused personal allowance to their spouse or civil partner. The recipient must not be liable to income tax at the higher or additional rates. If the couple marry or register a civil partnership, they will get the allowance on a pro-rata basis for the rest of that tax year. If one of them dies or there is a divorce or separation, the allowance continues until the end of the tax year.</i>		

	2019/20	2020/21
National insurance		
Lower earnings limit, primary class 1 (per week)	£118	£120
Upper earnings limit, primary class 1 (per week)	£962	£962
Apprentice upper secondary threshold (AUST) for under 21s/25s	£962	£962
Primary threshold (per week)	£166	£183
Secondary threshold (per week)	£166	£169
Employment allowance (per year/employer) (note 1)	£3,000	£4,000
Employee's primary class 1 rate between primary threshold and upper earnings limit	12%	12%
Employee's primary class 1 rate above upper earnings limit	2%	2%
Married woman's reduced rate between primary threshold and upper earnings limit	5.85%	5.85%
Married woman's rate above upper earnings limit	2.00%	2.00%
Employer's secondary class 1 rate above secondary threshold	13.80%	13.80%
Class 2 rate (per week where profits are above small profits threshold)	3.00%	3.05%
Class 2 small profits threshold (per year)	£6,365	£6,475
Special class 2 rate for share fishermen (per week)	3.65%	3.70%
Special class 2 rate for volunteer development workers	5.90%	6.00%
Class 3 voluntary rate (per week)	15.00%	15.30%
Class 4 lower profits limit	8,632%	9,500%
Class 4 upper profits limit	£50,000	£50,000
Class 4 rate between lower profits limit and upper profits limit	9.00%	9.00%
Class 4 rate above upper profits limit	2.00%	2.00%
<p><i>Note 1:</i></p> <p>a) From April 2020, this will be limited to employers with an employer NIC bill below £100,000 in the previous tax year.</p> <p>b) Any deemed payments made to off-payroll workers do not count towards the £100,000 employers (secondary) class 1 NICs total. You cannot claim employment allowance for these workers.</p> <p>c) Employment allowance cannot be claimed for off-payroll workers.</p>		
Pensions	£	£
Annual allowance (note 1)	40,000	40,000
Lifetime allowance	1,055,000	1,073,100
Money purchase annual allowance (note 2)	4,000	4,000
<p><i>Note 1:</i></p> <p>a) The annual allowance is a limit to the total amount of contributions that can be paid to defined contribution pension schemes and the total amount of benefits that you can build up in defined benefit pension scheme each year, for tax relief purposes.</p>		

b) From 2016/17 the annual allowance for those earning above the threshold income of £110,000 and £150,000 adjusted income is to be reduced on a tapering basis by £1 for every £2 of income, subject to a minimum allowance of £10,000. From 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, and the annual allowance will only begin to taper down for individuals who also have an adjusted income above £240,000.

c) From April 2020, the annual allowance for individuals with total income (including pension accrual) of over £300,000 will reduce from £10,000 to £4,000.

Note 2: The annual allowance is currently capped at £40,000, although a lower limit of £4,000 may apply if you have already started drawing a pension.

	2019/20	2020/21
Reliefs and incentives		
Enterprise Investment Scheme (EIS) – maximum (note 1)	£1,000,000	£1,000,000
Venture Capital Trust (VCT) – maximum	£200,000	£200,000
Enterprise Management Incentive Scheme (EMI) – employee limit up to the value of £250,000 in a three-year period	£250,000	£250,000
Seed Enterprise Investment Scheme (SEIS) – maximum (note 2)	£100,000	£100,000
Social Investment Tax Relief (SITR) – maximum	£1,000,000	£1,000,000
Income tax relief on EIS schemes	30%	30%
Income tax relief on VCT schemes	30%	30%
Income tax relief on SEIS schemes	50%	50%
Income tax relief on SITR schemes	30%	30%

Note 1: From 6 April 2018, the annual limit is doubled to £2m, provided that any amount over £1m is invested in one or more knowledge-intensive companies.

Note 2: Capital gains tax reinvestment relief may also be available for investments made in 2018/19 on 50% of the amount invested.

Individual Savings Account (ISA):	£	£
ISA (NISA) annual limit	20,000	20,000
Junior ISA investment annual limit – under 18, living in the UK	4,368	9,000
Child Trust Fund annual limit	4,368	9,000
Lifetime ISA annual limit (note 1)	4,000	4,000

Note 1: To open a Lifetime ISA you must be 18 or over but under 40. Contributions can be made until age 50. The government will add a 25% bonus to the savings, up to a maximum of £1,000 per year. The lifetime ISA limit of £4,000 counts towards the annual ISA limit.

Capital gains tax		
<i>Rate</i>		
- basic rate tax payer	10%	10%
- higher rate tax payer	20%	20%
<i>Gain on sale of residential property</i>		
- basic rate tax payer	18%	18%
- higher rate tax payer	28%	28%

	2019/20	2020/21
Annual exemptions – individuals (per year)	£12,000	£12,300
Certain trusts for disabled persons (per year)	£12,000	£12,300
Other trusts (per year)	£6,000	£6,150
Entrepreneurs' Relief lifetime limit (note 1)	£10,000,000	£1,000,000
Investors' Relief lifetime limit	£10,000,000	£10,000,000
Entrepreneurs'/Investors' rate	10%	10%
Chattels exemption	£6,000	£6,000
<i>Note 1: Entrepreneurs' Relief lifetime limit is reduced from £10m to £1m for disposals made on or after 11 March 2020.</i>		
Inheritance tax		
Single person's nil-rate band	£1-£325,000	£1-£325,000
Single person's 40% band	over £325,000	over £325,000
Residence nil-rate band (RNRB) – maximum (note 1)	£150,000	£175,000
Reduced rate (note 2)	36%	36%
IHT rate (for chargeable lifetime transfers)	20%	20%
Married couples or civil partnerships allowance nil-rate band	£650,000	£650,000
Gifts to charities	Exempt	Exempt
Small gifts to same person	£250	£250
General gifts – annual exemption	£3,000	£3,000
Wedding gifts from parent	£5,000	£5,000
Wedding gifts from grandparent/party	£2,500	£2,500
Wedding gifts from other person	£1,000	£1,000
<p><i>Note 1: The RNRB is available in respect of a main residence given away to children (including adopted, foster or stepchildren). Any unused nil-rate band transfers to the deceased's spouse or civil partner, even where death predates the availability of the additional threshold. It applies in addition to the existing nil-rate band (NRB) or threshold (currently £325,000) if the individual and estate meet the qualifying conditions.</i></p> <p><i>Note 2: The estate can pay inheritance tax at a reduced rate of 36% on some assets if you leave 10% or more of the net value to charity in your will.</i></p>		
Business Property Relief		
Business or interest in a business and transfer if unquoted shareholdings	100%	100%

	2019/20	2020/21
Taxation of trusts		
<i>Accumulation or discretionary trusts:</i>		
Trust income up to £1,000 – dividend type income (note 1)	7.50%	7.50%
Trust income up to £1,000 – all other income	20%	20%
Trust income over £1,000 – dividend type income (note 1)	38.10%	38.10%
Trust income over £1,000 – all other income	45%	45%
<i>Interest in possession trusts:</i>		
Dividend type income	7.50%	7.50%
All other income	20%	20%
<i>Note 1: Trustees do not qualify for the dividend allowance. This means trustees pay tax on all dividends depending on the tax band they fall within.</i>		
Corporation tax		
All profits and gains (excluding determination agreements and diverted profits (note 1)	19%	19%
S455 tax on all loans made by close companies to participator	32.50%	32.50%
Capital allowances		
Main writing-down allowance (reducing balance)	18%	18%
Special rate writing-down allowance (reducing balance)	6%	6%
Structures and buildings allowance (SBA)	2%	3%
Motor cars if CO ₂ > 50g/km but does not exceed 110g/km (note 1)	18%	18%
Motor cars if CO ₂ > 110g/km (note 1)	6%	6%
FYA – New and unused motor cars if CO ₂ emissions are 50 g/km or less (or car is electric) (note 1)	100%	100%
Small pool write-off where WDV is £1,000 or less	100%	100%
First-year allowances for certain energy-saving/water-efficient products (note 2)	100%	NA
Annual investment allowance (AIA) (note 3)	£1,000,000	£1,000,000
Annual investment allowance	100%	100%
<p><i>Note 1: From April 2021, the thresholds for FYA will be reduced from 50g/km to 0g/km. Main rate of 18% capital allowance will be applicable for business cars with CO₂ emissions not exceeding 50g/k. Business cars' CO₂ emission exceeding 50g/km will be eligible for writing-down allowance at the special rate of 6%.</i></p> <p><i>Note 2: From 1 April 2020 for incorporated businesses and from 6 April 2020 for unincorporated businesses, environmental enhanced capital allowances will be abolished.</i></p> <p><i>Note 3: From 1 January 2019 the annual investment allowance is increased from £200,000 to £1m for investment made from 1 January 2019. This is temporarily increased for two years until 31 December 2020. The threshold will revert back to £200,000 from 1 January 2021.</i></p>		

	2019/20	2020/21
Research and development tax credit rates		
SME rate	230%	230%
Research and development SME payable credit	14.5%	14.5%
Research and development expenditure credit (RDEC) scheme	12%	13%
Film/High-end TV/videogames tax credit	25%	25%
Open-ended investment companies and authorised unit trusts	20%	20%
Patent box		
Patent box	10%	10%
VAT		
Standard rate	20%	20%
Reduced rate	5%	5%
Zero rate	0%	0%
Flat rate of VAT on gross turnover (for limited cost trader)	16.5%	16.5%
Normal scheme registration threshold	£85,000	£85,000
Deregistration threshold	£83,000	£83,000
Cash accounting scheme – maximum to join	£1,350,000	£1,350,000
Cash accounting scheme – exit threshold	£1,600,000	£1,600,000
Annual accounting scheme – maximum to join	£1,350,000	£1,350,000
Annual accounting scheme – exit threshold	£1,600,000	£1,600,000
Flat-rate scheme – maximum allowed to join	£150,000	£150,000
Flat-rate scheme exit threshold	£230,000	£230,000
	2019/20	2020/21
Annual tax on enveloped dwellings (ATED)	£	£
More than £0.5m but not more than £1m	3,650	3,700
More than £1m but not more than £2m	7,400	7,500
More than £2m but not more than £5m	24,800	25,200
More than £5m but not more than £10m	57,900	58,850
More than £10m but not more than £20m	116,100	118,050
More than £20m	232,350	236,250

March 2020

ACCA LEGAL NOTICE

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