



# Spring Budget 2020 Analysis

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*The contents of this Budget Report are based on the proposals put forward by the Chancellor in his Budget speech. These need to be approached with caution as the details may change during the passage of the Finance Bill through Parliament.*



## INTRODUCTION

It is an unbelievable 500 days since the last Budget in October 2018. And in the face of the Coronavirus and the decline in global stock markets, Brexit seems a long time ago now.

The Chancellor, Rishi Sunak, has only been in the job a matter of weeks and to say the Budget will have represented a challenge for him may be a massive understatement. Even more so given the current world events which has led to this Budget being dubbed by some as the “Corona Budget”.

Budget Day started with an announcement by the Bank of England that the base interest rate will reduce from 0.75% to 0.25%. This cut has been made in an attempt to help businesses by lowering borrowing costs and giving banks more flexibility over lending policy.

At the same time the Government has announced its intention to help people during the difficult Coronavirus days ahead and to do its best to make sick pay available in a speedy and effective manner for all. It will also do its best to support small businesses by giving VAT and PAYE payment holidays. A very significant financial commitment to public services, notably the NHS, has also been made.

A central point of the Government’s economic policy is the commitment to spend a substantial amount on infrastructure projects over the next 10 years and this has apparently led to the OBR to revise its growth forecast upwards.

As far as changes to fiscal policy are concerned, the main highlights for financial planners were as follows:-

- a reduction in the lifetime allowance for entrepreneurs relief from £10 million to £1 million;
- an increase in the threshold income and adjusted income to £200,000 and £240,000 respectively with the minimum annual allowance falling from £10,000 to £4,000;
- an increase in the JISA contribution limit to £9,000 from £4,368;
- an improvement to the rules on top-slicing relief when chargeable event gains from a life policy cause adjusted net income to exceed £100,000;
- an increase in the employee’s primary threshold limit to £9,500;
- an increase in employer’s NIC employment allowance to £4,000;
- an increase in the CGT annual exemption to £12,300;

- the announcement of a review to the taxation of UK funds with a view to determining whether the UK could be made more attractive as a location for funds;
- the announcement of an intention to treat non-taxpaying employees in net pay pension schemes in the same way as those who pay contributions direct and so give basic rate tax relief to both types of saver;
- a continued commitment to combat perceived aggressive tax avoidance.

Unsurprisingly, no changes were announced to tax rates, amounts of personal allowances or the maximum ISA allowance.

Surprisingly, despite considerable speculation, there was no announcement of any change to inheritance tax or even a review of the current system. But it can only be a question of time.

***This Budget analysis focusses on changes and consultations announced in the Budget speech and supporting papers and what they mean for financial advisers and their clients. We supplement this with an appendix setting out the 2020/21 tax rates and allowances.***

As in previous years we will be issuing follow-up bulletins on Techlink Professional to keep you informed as the Finance Bill passes through Parliament.

When it comes to keeping you up-to-date, we are utterly committed to “getting it done”.

# **YOUR GUIDE TO THE BUDGET ANALYSIS**

INTRODUCTION

YOUR GUIDE TO THE BUDGET ANALYSIS

SYMBOL KEY

1. INCOME TAX
2. NATIONAL INSURANCE
3. DIVIDEND ALLOWANCE
4. CAPITAL GAINS TAX
5. SAVINGS AND INVESTMENTS
6. PENSIONS
7. LIFE POLICY TAXATION
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10. EMPLOYEE BENEFITS
11. CORPORATION AND BUSINESS TAX
12. TAXATION OF SHAREHOLDING DIRECTORS
13. CAPITAL ALLOWANCES
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15. TAX AVOIDANCE
16. SOCIAL SECURITY BENEFITS
17. CASH FLOW

APPENDIX 1 - FACTS AND FIGURES

## SYMBOL KEY



What was the Budget announcement?



When does this come into effect?



What should financial planners do next?



Relevant sources of information



Relevant topics on Techlink

# 1. INCOME TAX



## Budget announcements - Rates and allowances

Subject to the exceptions noted below, income tax rates and allowances for individuals and trustees will be frozen for the new tax year. This includes the 0% starting rate band for savings income and the higher rate tax threshold which will remain at £5,000 and £50,000 respectively. There is also no increase to the personal allowance which will remain at £12,500 for the 2020/21 tax year.

Exceptions:

- The married couple's allowance (MCA), which is only available provided at least one spouse was born before 6 April 1935, is increased to £9,075. There is a reduction in the MCA of £1 for every £2 additional income in excess of the total income threshold which is increased to £30,200. The MCA will not reduce below £3,510 (the "minimum amount").
- The blind person's allowance will increase by £50 to £2,500.

***More tax facts and figures can be found in the Appendix.***



When does this come into effect?

The increased allowances will take effect for the 2020/21 tax year.



## Budget announcements - Income Tax exemption for bursary payments to care leavers

Legislation will be included in Finance Bill 2020 to provide a statutory exemption from income tax for the one-off £1,000 bursary paid by the Education and Skills Funding Agency to care leavers aged 16 to 24 who start an apprenticeship.



When does this come into effect?

The measure will have effect after the date of Royal Assent to Finance Bill 2020, once regulations have been laid to specify the details of the bursary payment. For payments that have already been made HMRC will exercise its collection and management discretion and will not collect tax due on any retrospective amounts.



## What should financial planners do next?

*There are no specific planning opportunities arising from the Budget announcements made in respect of income tax however in terms of general planning:*

- *Couples should aim to fully utilise both personal allowances, starting/basic rate tax bands and the dividend and personal savings allowances should be used to the full and ensure that they do not lose out on the ability to transfer the transferable marriage allowance where eligible to do so.*
- *Any such transfers would usually be capital gains tax and inheritance tax neutral as transfers between spouses living together are treated as transfers on a no gain/no loss basis for capital gains tax purposes and transfers between UK domiciled spouses (living together or not) are exempt from inheritance tax without limit.*



## Budget announcements - Changes to top-slicing relief for life policy gains

The Government will legislate in Finance Bill 2020 to put beyond doubt the calculation of top-slicing relief by specifying how income tax allowances and reliefs can be set against life insurance policy gains. The new rules will apply to all relevant gains occurring on or after 11 March 2020. See our Life policy taxation section for more information.



### Relevant sources of information

[Changes to top-slicing relief on life insurance policy gains from 11 March 2020](#)



Learn more about Income Tax:

[Income Tax Rates](#)  
[Personal allowances](#)  
[Employment income](#)  
[Self-assessment](#)



## 2. NATIONAL INSURANCE



### **Budget announcements - Rates and thresholds**

The level at which taxpayers start to pay National Insurance contributions (NICs), will rise to £9,500 per year for both employed and self-employed people from 6 April 2020. All other thresholds for 2020/21 will rise with inflation, except for the Upper NICs thresholds which will remain frozen at £50,000, as announced at Budget 2018.

The main rates for 2020/21 are as follows:

- The Employee's Primary Class 1 National Insurance rate is 12% on earnings between the Primary Threshold (£183 per week - £9,500 pa) and Upper Earnings Limit (£962 per week - £50,000 pa).
- Employees, in addition, pay 2% Primary Class 1 National Insurance on all earnings above the Upper Earnings Limit (£50,000 pa).
- The Employer's Secondary Class 1 contribution rate on earnings above the Secondary Threshold (£169 per week - £8,788 pa) is 13.8%. This rate applies also to Class 1A and Class 1B contributions.
- The self-employed Class 4 rate on profits between the Lower Profits Limit (£9,500 pa) and Upper Profits Limit (£50,000 pa) is 9% and 2% above £50,000 pa.
- The self-employed Class 2 flat rate contribution is £3.05 per week when profits exceed £6,475 pa.

***More tax facts and figures can be found in the Appendix.***



### **When does this come into effect?**

The new thresholds and allowances will come into effect on 6<sup>th</sup> April 2020.



### **Budget announcements - Employment Allowance Reform**

The Chancellor confirmed that Employment Allowance will increase from £3,000 to £4,000. However, access will be restricted to employers with an employer NIC bill below £100,000 in 2019/2020.



### When does this come into effect?

This increase will come into effect from 6 April 2020.



### **Budget announcements - NIC holiday for employers of veterans in first year of civilian employment**

The Government will consult on a relief from NICs for employers of veterans. The relief will exempt employers from any NIC liability on the veteran's salary up to the Upper Earnings Limit in the first year of their civilian employment.



### When does this come into effect?

A full digital service will be available to employers from April 2022; however, transitional arrangements will be in place in the 2021-22 tax year which will effectively enable employers of veterans to claim this holiday from April 2021.



### **Budget announcements - NIC exemption for bursary payments to care leavers**

Legislation will be included in Finance Bill 2020 to provide a statutory exemption from NICs for the one-off bursary paid by the Education and Skills Funding Agency to care leavers aged 16 to 24 who start an apprenticeship.



### When does this come into effect?

The measure will have effect after the date of Royal Assent to Finance Bill 2020, once regulations have been laid to specify the details of the bursary payment. For payments that have already been made HMRC will exercise its collection and management discretion and will not collect NICs due on any retrospective amounts.



### **What should financial planners do next?**

*There are no specific planning opportunities arising from the changes to NIC thresholds, allowances and reliefs.*



*Relevant sources of information*

Budget notes:

[Rates and Allowances](#)

[Employment Allowance increases from April 2020](#)

[Income tax and NIC exemption for bursary payments to care leavers](#)



*Learn more about National Insurance Contributions:*

[National Insurance](#)

[Employment Allowance Eligibility Reforms](#)

[New NIC thresholds for 2020/21](#)

### 3. DIVIDEND ALLOWANCE



#### **Budget announcements**

No changes announced in respect of the dividend allowance or the dividend tax rates.



#### When does this come into effect?

From 6 April 2020 the dividend tax rates will remain at 7.5% for basic rate taxpayers, 32.5% for higher rate taxpayers and 38.1% for additional rate taxpayers.

The dividend allowance will remain at £2,000 for all individual taxpayers.

There is no £2,000 dividend allowance for trusts. The dividend rate for trusts matches the individual additional rate of 38.1%. Dividend income that falls within the trust's £1,000 standard rate band is taxed at 7.5%.



#### **What should financial planners do next?**

*The 0% dividend allowance means that, regardless of their tax rates, a married couple or civil partners can receive up to £4,000 of dividend income with no tax liability, provided that they share their dividends equally. Whilst this may not be necessary where £2,000 is sufficient to cover their individual dividend income anyway financial planners may wish to suggest to their clients, who are married or in a civil partnership, that they consider an unconditional transfer of an appropriate amount of their dividend producing investments to ensure each of a couple to use their allowance. It is reiterated that any such transfer must be made on a 'no-strings-attached' basis to ensure that the desired tax outcome is achieved.*



*Learn more about dividends*

[Dividends](#)

## 4. CAPITAL GAINS TAX



### Budget announcements - Capital gains tax exemption

The capital gains tax annual exemption will increase from £12,000 in 2019/20 to £12,300 in 2020/21.

The annual exemption available to trustees will increase from £6,000 in 2019/20 to £6,150 in 2020/21 – although this “per trust” limit is diluted where the settlor has created more than one trust subject to a minimum of £1,230 per trust.

The rates of capital gains tax remain unchanged.

However, as previously announced, from 6 April 2020 UK residents who sell a residential property that gives rise to a capital gains tax liability, e.g. a buy-to-let property, must send a new standalone online return to HMRC and pay the tax due within 30 days of completion of the sale.



### When does this come into effect?

The changes to the annual exemption will take effect from 6<sup>th</sup> April 2020.



### What should financial planners do next?

#### ***Making use of the annual exemption***

*The annual exemption is given on a ‘use it or lose it’ basis. Disposals driven by a desire to trigger gains within the exemption need to be such that they circumvent the “bed and breakfast” anti-avoidance provisions. Of course, in the ordinary course of ensuring that a portfolio adheres to a specified asset allocation model, investors may naturally use some or all of their annual exemption as a useful and tax effective “by-product” of re-balancing.*

*In some cases where a disposal is ascertained to be the right thing to do and it is near to the end of a tax year, phasing the disposal (e.g. of shares or collective investments) over two tax years can prove to be beneficial as it may then facilitate the use of two annual exemptions in close succession.*

*It may also be possible to maximise the tax-free element of any gain by ensuring that investments are held jointly with a spouse or civil partner, so that two annual exempt amounts are available to offset against any gain on disposal. Any transfer between spouses must of course be unconditional in order to be effective.*

## **Maximising the use of losses**

*The recent equity market volatility may mean that some holdings could be standing at a loss and as such, those who either make a capital loss or have carried forward losses need to understand how these can be used.*

*If a taxpayer has realised a gain and a loss in the same tax year:*

- *The loss will be set off against the gain, even if the gain is within the taxpayer's annual exemption. Some or all the exemption may therefore be wasted.*

*However, if the taxpayer carried forward a loss from a previous tax year:*

- *The carried forward loss is only used up to the extent that it reduces their overall gains to the level of the annual exemption.*
- *The loss is therefore only partly used when necessary with the balance carried forward to set off against gains in later tax years.*

*Care should therefore always be taken before realising gains and losses together in a single tax year so as not to inadvertently waste the annual exemption.*

## **Deferral**

*Where a large gain has been made on disposal of an asset, then subject to very careful consideration in relation to risk and liquidity, consideration could be given to investing all or part of the gain into qualifying Enterprise Investment Scheme (EIS) shares to benefit from capital gains tax deferral relief. The deferred capital gain will not then be brought into charge until the EIS shares are sold or otherwise disposed of – and may be wiped out altogether if the shares are still owned by the investor at the date of their death. As indicated above EIS investments, of course, carry a certain level of investment risk that not all investors will be comfortable with, and this must be very clearly understood before any decision to invest is made.*



## **Budget announcements - Entrepreneurs' relief**

Entrepreneurs' Relief (ER) provides for a lower rate of capital gains tax (10%) to be paid on a gain arising as a result of disposing of all or part of a business where certain criteria are met, subject to a lifetime limit of £10,000,000 of qualifying gains. The Chancellor announced that this lifetime limit will reduce from £10,000,000 to £1,000,000 for ER qualifying disposals made on or after 11 March 2020. The new rules will also provide that the lifetime limit must take into account the value of ER claimed in respect of qualifying gains in the past.

There are special provisions for disposals entered into before 11 March 2020 that have not been completed. Under section 28 of TCGA 1992, the time at which the disposal is made is the time the contract is made, and not, if different, the time at which the asset is conveyed or transferred. Rules will be introduced that apply to forestalling

arrangements entered into before Budget day. In such cases the disposal will be subject to the £1,000,000 lifetime cap unless:

- (1) The parties to the contract demonstrate that they did not enter into the contract with a purpose of obtaining a tax advantage by reason of the timing rule in section 28 of TCGA 1992; and
- (2) Where the parties to the contract are connected, that the contract was entered into for wholly commercial reasons.

In addition, where shares have been exchanged for those in another company on or after 6 April 2019 but before 11 March 2020, and:

- both companies are owned or controlled by substantially the same persons, or
- persons who held shares in company A hold a greater percentage of shares in company B than they did in company A and, on 11 March 2020, the personal company test, the trading company test and the employee/officer test are met in respect of company B,

then if an election is made under section 169Q TCGA 1992 (which prevents the original shares and the new holding being treated as the same asset and allows a claim for entrepreneurs' relief to be made as if the reorganisation involved a disposal of the original shares) on or after 11 March 2020, the share disposal is to be treated as taking place at the time of the election for ER purposes, meaning that the new lifetime limit of £1,000,000 will apply.



### When does this come into effect?

The ER change applies to qualifying disposals made on or after 11 March 2020.



### **What should financial planners do next?**

*Financial planners (possibly in association with appropriately qualified and experienced professionals) may need to identify and contact clients who are considering making a qualifying ER disposal, or who have made such a disposal prior to 11 March 2020 that has not completed prior to 11 March, to advise them whether they will be affected by this reduction in the lifetime limit.*



### *Relevant sources of information*

[HMRC Policy paper: Capital Gains Tax Entrepreneurs' Relief - reduction in the lifetime limit](#)



## **Budget announcements - Principal Private Residence (PPR) relief**

As previously announced, from 6 April 2020, lettings relief, which is currently available on disposals of property that qualifies for an element of PPR relief, will be restricted to cases where the landlord and tenant share occupation.

The final period exemption for PPR will be reduced from 18 months to 9 months. There are no changes to the 36 months final period exemption available to disabled people or those in a care home.



### *When does this come into effect?*

*This will take effect from 6<sup>th</sup> April 2020.*



*Learn more about capital gains tax*

[Capital gains tax – Fundamentals](#)

[Capital gains tax – Reliefs](#)

[Capital gains tax - Planning](#)



## 5. SAVINGS AND INVESTMENTS



### **Budget announcements - Individual Savings Accounts (ISAs)**

The ISA subscription limit will remain at £20,000 for 2020/21.



### **Budget announcements - Junior ISA and Child Trust Funds**

The annual subscription limit for Junior ISAs or CTF will be more than doubled in 2020/21, increasing from £4,368 to £9,000.



### When does this come into effect?

The Junior ISA/CTF increase will take effect from 6<sup>th</sup> April 2020.



### **What should financial planners do next?**


*Those clients who have not used their full ISA allowance should be reminded to do so before the end of the tax year.*

*By saving towards their future, families can give children a significant financial asset when they reach adulthood – helping them into higher education, training, or work. Junior ISAs (JISAs) and Child Trust Funds (CTFs) are tax-advantaged accounts for children, designed to encourage a long-term savings habit through tax efficiencies. No new CFTs can be set up but contributions can continue to the established ones.*



### **Budget announcements - Regulation of pre-paid funeral plans**

Following a consultation in 2018 and call for evidence in 2019 it was announced today that the Government will introduce a number of measures intended to regulate funeral plan providers including bringing them within the remit of the FCA. This will require changes to secondary legislation and the new regulatory framework is likely to be in place within two years.

 *Learn more about savings and investments*

[Child Trust Fund](#)

[Enterprise Investment Scheme](#)

[ISAs](#)

[National Savings](#)

[Venture Capital Trusts](#)

## 6. PENSIONS



### **Budget announcements – Lifetime Allowance Increase**

The Chancellor today confirmed that the 2020/2021 Lifetime Allowance will be £1,073,100. although we still await the legislation.



### When does this come into effect?

This will take effect from 6<sup>th</sup> April 2020.



### **What should financial planners do next?**

- *We have known for a while that the Lifetime Allowance will be increasing in April broadly in line with CPI so planning of crystallisations pre and post the tax year end should already be in place.*
- *This will not impact those with FP, FP14, FP16 or Individual Protection. Those with Individual Protection 2016 less than £1,073,010 will lose their protection because it will no longer be needed.*
- *The increase in the Lifetime Allowance will have an impact on protected tax-free cash, reducing the amount protected by a small amount.*



### **Budget announcements – Tapered Annual Allowance Changes**

As expected, the Chancellor has announced the that Threshold Income level for the tapered annual allowance will be increasing in 2020/21. However, the increase was more significant than expected, increasing by £90,000. The Threshold Income level will now be set at £200,000 and the Adjusted Income level will be set at £240,000.

In addition, the minimum the taper can take the annual allowance down to will now be £4,000, a reduction from £10,000 previously. The minimum will be reached when Adjusted Income is £312,000 or more.

One small comment made in the Red Book was that proposals to offer greater pay in lieu of pension contributions for senior clinicians in the NHS Pension Scheme will not be taken forward. This may impact plans already in place for some senior clinicians for the next tax year.



### When does this come into effect?

This will take effect from 6<sup>th</sup> April 2020.



### **What should financial planners do next?**

- *This will mean that fewer pension members will be impacted by the tapered annual allowance.*
- *This will not have an impact in the tax year 19/20 but may give those with income between £110,000 and £200,000 more scope for pension contributions next tax year.*
- *Anyone who has recommended a client opts out of a pension scheme, or advised clients to take reduced pension contributions in exchange for increased salary, should revisit these calculations in light of this change.*



### *Relevant sources of information*

[Pensions Tax Changes to income thresholds for calculating the tapered annual allowance from 6 April 2020](#)



### **Budget announcements – Call for evidence on pension tax administration**

The Government has again committed to reviewing options for addressing the tax relief for low earners. This issue occurs for those in ‘net pay’ pension schemes who don’t pay any tax so receive no relief, in comparison to those in ‘relief at source’ schemes who will get basic rate relief by default.



### When does this come into effect?

We await the publication of a call for evidence on pension tax relief administration.



*Learn more about pensions*

[Pensions](#)

## 7. LIFE POLICY TAXATION



### Budget announcements

Legislation will be introduced to amend sections 535 to 537 in Chapter 9, Part 4 of the Income Tax (Trading and Other Income) Act 2005 to permit the personal allowance to be reinstated within the taxpayer's top-slicing relief calculation where it has been reduced by reason of including a gain in their income for the year.

This broadly means that in a situation where an individual can benefit from top-slicing relief, it would be the 'slice' that would be added to their other income to determine the loss of any personal allowance.

The personal allowance reduces by £1 for every £2 for those with adjusted net income in excess of £100,000. This means that there will be no personal allowance available once adjusted net income exceeds £125,000.

So, for example, if a client had adjusted net income of £40,000 and incurred a chargeable event gain of £90,000 over 10 years; in calculating the tax on the top-slice, the top-sliced gain of £9,000 would be added to £40,000 to determine any loss of personal allowance as opposed to £90,000. In this example, if the whole gain were added to other income this would be £130,000 so the client would have lost full entitlement to their personal allowance. However, by adding the top-slice of £9,000 to other income of £40,000 in calculating the tax on the top-slice (and thus top-slicing relief) they actually benefit from their full personal allowance which results in a tax-saving of £2,500 in tax (20% of the £12,500 personal allowance).

This change follows the decision made in the recent First-tier Tribunal case of Marina Silver v The Commission for HMRC. Here HMRC argued that it should be the full gain that should be added to other income to determine loss of any personal allowance in calculating the tax on the top-slice but lost the case. HMRC has appealed and the appeal is expected to be heard within the next 2 months.

The legislation will also be amended to confirm that when carrying out the top-slicing tax calculation, allowances and reliefs (in section 25(2) of the Income Tax Act 2007) have to be set as far as possible against other income in preference to the gain.



### When does this come into effect?

This change is effective for chargeable events that occur on or after 11 March 2020. It is presumed that earlier chargeable events will be dealt with under the previous rules.



## What should financial planners do next?

*This is a welcome change and will mean that those making an encashment now who may have previously lost entitlement to the personal allowance where the gain added to other income caused adjusted net income to exceed £100,000 (but the top-slice did not) could now benefit from part/all of the personal allowance. Financial planners may need to explain to their clients that this change will not apply to chargeable events that occurred before 11 March 2020.*



### *Relevant sources of information*

#### [The Policy Paper](#)

and also please see our earlier bulletin which covered the above-mentioned case in detail:

#### [The impact of chargeable event gains on the personal allowance](#)



### *Learn more about life policy taxation*

#### [UK life policy taxation](#)

#### [Non-UK policies](#)

## 8. INHERITANCE TAX



### **Budget announcements**

There were no new announcements in relation to the rate(s) of inheritance tax payable. The inheritance tax nil rate band will remain at £325,000 and the residence nil rate band (RNRB) will, as previously announced, increase to £175,000 from April 2020.

The only other announcements that were made are as follows -

### **Troubles Permanent Disablement Payment Scheme**

The government will legislate in Finance Bill 2020 to introduce inheritance tax (and income tax and capital gains tax) exemptions for compensation payments made on or after May 2020 under the Troubles Permanent Disablement Payment Scheme.



#### When does this come into effect?

The IHT exemption for payments made from the Troubles Permanent Disablement Payment Scheme will apply in respect of deaths occurring on or after 29 May 2020.

### **Windrush Compensation Scheme**

The government will legislate in Finance Bill 2020 to introduce inheritance tax (and income tax and capital gains tax) exemptions for compensation payments made on or after 3 April 2019 under the Windrush Compensation Scheme. This will also include a new power to exempt any necessary future compensation payments from income tax, inheritance tax and capital gains tax.



#### When does this come into effect?

The IHT exemption for payments made from the Troubles Permanent Disablement Payment Scheme will apply in respect of deaths occurring on or after 29 May 2020.

IHT relief for payments under the Windrush Compensation Scheme applies for deaths occurring on or after 3 April 2019.





## What should financial planners do next?

*Ensure that clients or personal representatives who receive these payments are aware of the inheritance tax position of the funds.*



*Relevant sources of information*

[Budget note: Tax treatment of the Troubles Permanent Disablement Payment Scheme](#)



*Learn more about inheritance tax*

[Inheritance Tax – Fundamentals](#)

[Inheritance Tax - Planning](#)

## 9. TRUST TAXATION



### Budget announcements

There have been no announcements in the Budget in relation to trusts.

The increase in the annual CGT exemption affects trustees.

The annual CGT exemption available to trustees will increase from £6,000 to £6,150 from 6 April 2020 – although this limit will be diluted according to the number of trusts created by the same settlor but will not be less than £1,230 per trust.



### When does this come into effect?

The CGT change is effective from 6 April 2020.



### What should financial planners do next?

*While the Budget does not provide any immediate planning points, financial planners need to be aware of the ongoing review of trusts being carried out by the Government. At the moment HMRC is still reviewing responses to their extensive consultation entitled “The taxation of trusts: a review” issued in November 2018 and closed in February 2019 as well as dealing with responses to the more recent consultation on the expansion of the Trust Registration Service. So, it is most likely that there will be some important news relevant to trustees published later this year.*



Learn more about trust taxation

[Trust taxation](#)

## 10. EMPLOYEE BENEFITS



### **Budget announcements - 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.



#### When does this come into effect?

The changes will take effect from April 2020.



### **Budget announcements - Neonatal Leave and Pay**

The government is to create an entitlement to Neonatal Leave and Pay for employees whose babies spend an extended period of time in neonatal care providing up to 12 weeks paid leave so that parents do not have to choose between returning to work and taking care of their vulnerable new-born.



#### When does this come into effect?

The implementation date has not yet been set.



#### **What should financial planners do next?**

*Ensure that clients who are responsible for staff are aware of these changes.*

## 11. CORPORATION AND BUSINESS TAX



### **Budget announcements - Corporation Tax Rate**

The chancellor confirmed the previously confirmed decision that corporation tax would remain at 19%, rather than a planned reduction to 17% as had been outlined in previous legislation.

The 19% corporation tax rate remains low in relation to the G7 and G20 group of countries and demonstrates the UK to be an attractive place to run a business.



#### When does this come into effect?

The current corporation tax rate of 19% will remain the rate from 1 April 2020.



### **Budget announcements - NIC Employment Allowance**

In order to increase the attractiveness of taking on new staff, it was confirmed in the budget that the NIC employment allowance would increase from £3,000 to £4,000, benefitting 510,000 businesses.



#### When does this come into effect?

The change will come into effect from April 2020.



### **Budget announcements - Digital Service Tax**

As announced in the 2018 budget, the chancellor confirmed the commencement of a digital services tax. The 2% tax on certain digital revenue streams is designed to ensure the tax paid in the UK reflects the value of the business' interaction with and business revenue generated in the UK.

The government is committed to creating a multinational solution regarding taxation of digital companies.



#### When does this come into effect?

The change will come into effect from April 2020.



### **Budget announcements - Corporate Capital Loss Restriction**

As announced in the 2018 budget, the government will restrict the proportion of brought forward capital losses to 50%. The measure includes an allowance to provide unrestricted capital and income losses of up to £5m each year; the measure will not impact 99% of businesses.



When does this come into effect?

The change will come into effect from April 2020.



### **Budget announcements - Entrepreneur's Relief and NIC Contributions**

The budget included some significant changes regarding Entrepreneur's Relief and NIC levels. These are covered in the section entitled "Taxation of Shareholding Directors".



When does this come into effect?

The change will come into effect from 11 March 2020.



### **Budget announcements - Business Rates**

Business rates have been removed for the vast majority of business for the next financial year.

The government has already announced the Business Rates retail discount will be increased to 50% in 2020-21. To support small businesses affected by COVID-19 the government is increasing it further to 100% for 2020-21. The relief will also be expanded to the leisure and hospitality sectors.



When does this come into effect?

The change will come into effect from April 2020.



## **Budget announcements - Coronavirus Measures and support for businesses**

In an attempt to mitigate the financial impact of the Coronavirus, the chancellor announced a number of measures to help small businesses.

Businesses with fewer than 250 employees can reclaim the cost of statutory sick pay for Coronavirus cases for 14 days.

The government will provide a guaranteed loan scheme to assist small businesses with funding. The government will guarantee 80% of a loan value in order to create confidence in providing loans to SMEs.

Many small businesses pay little or no business rates due to the Small Business Rate Relief (SBRR). To support those businesses, the government will provide £2.2 billion of funding for Local authorities in England. This will provide £3,000 to around 700,000 businesses currently eligible for SBRR or Rural Rate Relief, to help meet their ongoing business costs.

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. These tailored arrangements will give a business the time it needs to pay HMRC to support their recovery while operating through any temporary financial challenges that occur.



### When does this come into effect?

The change comes into effect immediately.



## **Budget announcements - Support for the self-employed**

The government has committed to improve the access to finance and credit for self-employed individuals by extending funding for the start up loan program and improving the guidance for self-employed people applying for mortgages.

The government will make it easier for self-employed people to find the information and guidance that is relevant to them and their business. The Budget announces that HMRC will launch new interactive guidance in summer 2020 which will make it easier for self-employed taxpayers to navigate the tax system.

Additionally, the government will consider how to provide appropriate support to self-employed parents so that they can continue to run their businesses, as part of its wider review of Parental Pay and Leave.



### When does this come into effect?

The change will come into effect in Summer 2020.



### **What should financial planners do next?**

*The attractive corporation tax rate will result in individuals continuing to run businesses through LTD companies and the ability to provide robust holistic advice to SME owners will only increase in importance.*

*Planning could include, dependent on needs, tax efficient corporate investment, pension planning, business succession and continuation and excepted group life and relevant life policies.*



*Learn more about corporation and business tax*

[Corporation Tax](#)

## 12. TAXATION OF SHAREHOLDING DIRECTORS



### **Budget announcements - Entrepreneur's Relief**

The chancellor announced that Entrepreneur's Relief would not be scrapped, however the £10 million lifetime limit would be reduced to £1 million.

Further details on this change can be found in Capital Gains Tax above.



### When does this come into effect?

The changes come into effect for any qualifying disposals made on or after 11 March 2020.



### **What should financial planners do next?**

*Financial planners (possibly in association with appropriately qualified and experienced professionals) may need to identify and contact clients who are considering making a qualifying ER disposal, or who have made such a disposal prior to 11 March 2020 that has not completed prior to 11 March, to advise them whether they will be affected by this reduction in the lifetime limit.*



### *Relevant sources of information*

[HMRC Policy paper: Capital Gains Tax Entrepreneurs' Relief - reduction in the lifetime limit](#)



### **Budget announcements - National Insurance Changes**

It was announced in the 2020 budget that the National Insurance Contributions (NICs) Primary Threshold and Lower Profits Limit for employees and the self-employed respectively would increase to £9,500.

The increase will benefit around £31 million people with a typical employee saving around £104 per year and a self-employed person saving around £78 per year. Around £1.1m will be taken out of paying NICs entirely.





### When does this come into effect?

The changes come into effect from 6 April 2020.



### **What should financial planners do next?**

*Many shareholding directors should establish whether their current remuneration structure remains tax efficient following the changes. Shareholding directors should consider increasing their salary to £9,500 and reducing their dividends accordingly.*

*A salary payment will usually be an allowable business expense and will provide a corporation tax deduction, therefore increasing the salary to the new NICs threshold will be tax efficient.*



### **Budget announcements - Dividend Allowance and Personal Allowance**

The dividend allowance and personal allowance will remain £2,000 and £12,500 respectively for the 2020/21 tax year.



*Learn more about the taxation of shareholder directors*

[Share purchase for private company shareholders](#)  
[Corporate Investment](#)  
[Dividends](#)

## 13. CAPITAL ALLOWANCES



### **Budget announcements**

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 introduction of structures and building allowance at Budget 2018 greatly enhanced the international competitiveness of the UK's tax system. This increased rate of relief goes even further, providing businesses who invest with over £1 billion in additional relief by the end of 2024/25.



### When does this come into effect?

The change will take effect from 1 April 2020 for corporation tax and 6 April 2020 for income tax.



*Learn more about the taxation of capital allowances*

[Capital Allowances](#)

## 14. PROPERTY TAX



### **Budget announcements - Non-UK resident Stamp Duty Land Tax (SDLT) surcharge**

Following a consultation last Spring, the Chancellor confirmed today that the Government will introduce a 2% SDLT surcharge on non-UK residents purchasing residential property in England and Northern Ireland. The non-resident surcharge seems to be in addition to the 3% surcharge for second homes – taking the possible top rate of SDLT for overseas buyers to 17%. Legislation will be included in Finance Bill 2020-21.



#### When does this come into effect?

The surcharge will apply from 1 April 2021. Where contracts are exchanged before 11 March 2020 but complete or substantially performed after 1 April 2021, transitional rules may apply subject to conditions.



### **Budget announcements - Annual Tax on Enveloped Dwellings (ATED)**

The ATED charges will rise by 1.7% in line with the September 2019 CPI.



#### When does this come into effect?

The new rates will come into effect from 1 April 2020.



### **Budget announcements - Relief from Annual Tax on Enveloped Dwellings (ATED) and Stamp Duty Land Tax (SDLT) for Housing Co-operatives**

Relief from the ATED and the 15% flat rates of SDLT on purchases of dwellings over £500,000 will be introduced for qualifying housing co-operatives.



#### When does this come into effect?

The SDLT relief in England and Northern Ireland will take effect from Autumn Budget 2020 and the UK-wide ATED relief from 1 April 2021 with a refund available for 2020-21.



## What should financial planners do next?

- *Property investor clients who are considering relocating should be advised to make any additional purchases of UK residential property prior to becoming non-resident to avoid the new surcharge.*
- *Clients with an overseas connection, including mobile workers and globally mobile entrepreneurs, who are considering investing in UK residential property should consider doing so prior to 1 April 2021 to avoid being caught by the additional charge.*



### *Relevant sources of information*

[Budget 2020: Overview of tax legislation and rates](#)



*Learn more about property tax:*

[Property Investments](#)

[Rental income](#)

[Private residence](#)

[Stamp Duty](#)

[Consultation on new SDLT surcharge for non-residents](#)

## 15. TAX AVOIDANCE



### **Budget announcements – General Measures**

The Government have acted to restrict the benefits of certain tax reliefs/exemptions, most notably CGT entrepreneur's relief where the lifetime limit for reduced CGT will reduce from £10m to £1m. Measures are included to prevent non-genuine transactions completed before 11 March 2020 from benefitting from the old higher limit. Further information on this change can be found in the CGT section of this bulletin.



### **Budget announcements – The Loan Charge**

There has been much press coverage of the loan charge. Basically, this is an income tax charge payable on moneys lent (rather than paid as employment income) to individuals working within the UK. Because of the severity of the provisions – including the proposed penalties – and the resulting outcry, the Government agreed to an independent review of the Loan Charge. As a result of this review, the proposed charges have been lightened in a number of areas – in particular it will only now apply to outstanding loans that were granted between 9 December 2010 and 5 April 2019. Originally it was proposed that it would apply to loans granted after 6 April 1999. However, HMRC acknowledge disguised remuneration schemes continue to be used. Therefore, the Government will shortly issue a call for evidence on further action to stamp out these schemes.



### When does this come into effect?

This will be legislated for in the Finance Bill 2020-21.



### **Budget announcements – Tackling promoters of tax avoidance**

As announced in the government's response to the independent Loan Charge Review, the Government will legislate in Finance Bill 2020-21 to take further action against those who promote and market tax avoidance schemes. The legislation, which will take effect following Royal Assent, will:

- allow HMRC to obtain information about the enabling of abusive schemes as soon as they are identified by strengthening information powers for HMRC's existing regime to tackle enablers of tax avoidance schemes

- ensure enabler penalties are felt without delay for multi-user schemes, meaning anyone enabling tax avoidance arrangements that are later defeated will face a penalty of 100% of the fees they earn
- enable HMRC to act promptly where promoters fail to provide information on their avoidance schemes. In particular, these changes will help HMRC obtain the information needed to bring a scheme into the Disclosure of Tax Avoidance Schemes regime and empower HMRC to act faster where avoidance schemes are being promoted
- equip HMRC to more effectively stop promoters from marketing and selling avoidance schemes as early as possible
- ensure promoters fulfil their obligations under the Promoters of Tax Avoidance Scheme (POTAS) regime, including where they have tried to abuse corporate structures to get around the rules
- make further technical amendments to the POTAS regime, including preventing spurious legal challenges from disrupting the process of scrutinising promoters, so the regime can continue to operate effectively and
- make additional changes to the General Anti-Abuse Rule (GAAR) so it can be used as intended to tackle avoidance using partnership structures.



#### When does this come into effect?

Legislation will be included in the Finance Bill 2020-21 to take further action against those who promote and market schemes. The legislation will take effect following Royal Assent.



#### **Budget announcements – HMRC’s promoter strategy**

In addition to the legislative changes the government will introduce in Finance Bill 2020-21, HMRC will publish a new ambitious strategy for tackling the promoters of tax avoidance schemes. This will outline the range of policy, operational and communications interventions both underway and in development to drive those who promote tax avoidance schemes out of the market, disrupt the supply chain to stop the spread of marketed tax avoidance, and deter taxpayers from taking up the schemes.



#### **Budget announcements – Raising standards in the market for tax advice**

The Government will publish a call for evidence in the spring on raising standards for tax advice. This will seek evidence about providers of tax advice, current standards upheld by tax advisers, and the effectiveness of the Government's efforts to support those standards, in order to give taxpayers more assurance that the advice they are receiving is reliable.



### **What should financial planners do next?**

*A robust package of targeted anti-avoidance measures has become the standard offering at Budget time. This year is no exception though few, if any, will have a major impact on the financial planning strategies created and implemented by most financial planners.*

*The constant flow of TAARs, the GAAR, successful litigation, extended DOTAS provisions and constant negative publicity against aggressive avoidance have, on the whole, helped to ensure that the market for aggressive tax planning has all but disappeared.*

*Against that background financial planners have a very positive message to deliver surrounding the tried and tested strategies deployed by the sector, including tax-efficient pensions, ISAs, EIS and VCT investments, collective investments and investment bonds plus the wide range of inheritance tax plans ...to name just a few. None of which, used in the way the legislation intended, are subject to any threat from the latest swathe of anti-avoidance provisions.*



*Learn more about tax avoidance*

[Tax Avoidance](#)

## 16. SOCIAL SECURITY BENEFITS

A lot of the announcements in today's budget were in light of the current COVID-19 outbreak and there are therefore a few short-term measures being put into place as can be seen from the following.



### **Budget announcements - Statutory Sick Pay (SSP)**

The government is to temporarily extend the scope of Statutory Sick Pay (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

This follows the announcement that the forthcoming COVID-19 Bill will temporarily allow SSP to be paid from the first day of sickness absence, rather than the fourth day, for people who have COVID-19 or those who have to self-isolate, in accordance with government guidelines.

The government also stated that it will bring forward a temporary alternative to a fit note in the coming weeks which can be used for the duration of the COVID-19 outbreak. This system will enable people who are advised to self-isolate to obtain a notification via NHS111 which they can use as evidence for absence from work, where necessary.



### When does this come into effect?

This change will take effect from the forthcoming COVID-19 Bill



### **What should financial planners do next?**

*Ensure that clients who are responsible for staff are fully aware of the changes.*



### **Budget announcements - Employment and Support Allowance and Universal Credit**

The government recognises that self-employed people and employees below the lower earnings limit are not entitled to SSP, however they need to be supported under the welfare system during the COVID-19 outbreak.



The Government is committed to supporting this group of people making it quicker and easier to receive benefits under 'new style' Employment and Support Allowance and Universal Credit.

'New style' Employment and Support Allowance will now be payable for people directly affected by COVID-19 or those who are self-isolating according to government advice from the first day of sickness, rather than the eighth day.

People will be able to claim Universal Credit and access advance payments where they are directly affected by COVID-19 (or self-isolating), without the current requirement to attend a jobcentre.

In addition, for the duration of the outbreak, the requirements of the minimum income floor in Universal Credit will be temporarily relaxed for those directly affected by COVID-19 or those who are self-isolating according to government advice for the duration of the outbreak, ensuring self-employed claimants will be compensated for losses in income.



#### When does this come into effect?

This change will take effect from the forthcoming COVID-19 Bill.



#### **What should financial planners do next?**

*Ensure self-employed clients are made aware of the changes during the COVID-19 outbreak.*



#### **Budget announcements - Personal Independence Payment (PIP)**

The government will reduce the frequency of health assessments required for people receiving Personal Independence Payment (PIP). For those whose condition is unlikely to change, the Budget sets a minimum award review length of 18 months instead of the current 12 months.



#### When does this come into effect?

The implementation date has not yet been set.



*Learn more about social security benefits*

[Social Security Benefits](#)

## 17. CASH FLOW

### Impact of the Budget Changes on Cash Flow Planning with Voyant

Every year following the Budget announcements any changes to tax allowances, thresholds and rates are coded into the system by Voyant. This means that for the 2020/21 tax year, the *assumed*\* increases to allowances and thresholds from the 2019/21 tax year levels will be replaced with the *actual* increases applicable.

\*based on the 'Default Tax Table Assumption' found under the System and Plan Preferences.

#### When will these changes take effect in Voyant?

Voyant have advised that the new levels are due to be coded and released into the live version of the system over the weekend of the 27<sup>th</sup> March. If this takes place as planned users will see updated tax allowances and thresholds applicable to the 2020/21 tax year upon logging in to Voyant from Monday 30<sup>th</sup> March.

Once the release has been delivered users will be able to see the changes documented in the 'release notes' that are presented when logging in to Voyant

The key updates that will be made in Voyant in relation to the 2020 Budget announcement are expected to be as follows:

- Change to NI Primary Threshold and Lower Profits Limit from £8,632 to £9,500
- Change to JISA allowance from £4,368 to £9,000
- Change to lifetime limit for Entrepreneur's Relief from £10,000,000 to £1,000,000
- CPI increase to the Lifetime Allowance from £1,055,000 to £1,073,100
- Change to the Capital Gains Tax Allowance from £12,000 to £12,300

Voyant does not currently have the capability to model the Tapered Annual Allowance so the changes announced in relation to the increase to the thresholds will not have any effect on Voyant plans.

#### What should financial planners do next and by when?

The majority of the changes announced in the 2020 budget that will result in updates to allowances and thresholds in Voyant will not have a significant impact on client plans in Voyant. The change that could have the biggest impact is the reduction of the lifetime limit for Entrepreneur's relief. If this is relevant to any clients it may be

prudent for planners to revisit the client's plan in Voyant to assess the impact where lifetime gains in excess of £1,000,000 have been modelled.

# Appendix 1

## Facts and Figures

## MAIN INCOME TAX ALLOWANCES AND RELIEFS

	2019/20	2020/21
	£	£
Personal allowance – standard	12,500	12,500
Personal allowance reduced if total income exceeds ∞	100,000	100,000
Transferable tax allowance (marriage allowance)§	1,250	1,250
Married couple's allowance* – minimum amount	3,450	3,510
– maximum amount	8,915	9,075
Maintenance to former spouse *	3,450	3,510
Married couple's allowance reduced if total income exceeds ¶	29,600	30,200
Employment termination lump sum limit	30,000	30,000

∞ For 2019/20 and 2020/21 the reduction is £1 for every £2 additional income over £100,000. As a result there is no personal allowance if total income exceeds £125,000 (£125,000 for 2019/20).

§ Available to spouses and civil partners born after 5 April 1935, provided neither party pays tax at above basic rate.

\* Relief at 10%. Available only if at least one of the couple was born before 6 April 1935.

¶ For 2019/20 and 2020/21 the reduction is £1 for every £2 additional income over the total income threshold. **Only** the standard allowance is available if total income exceeds:-

	2019/20	2020/21
	£	£
Taxpayer born before 6 April 1935 [married couple's allowance]	40,530	41,330

**INCOME TAX RATES (UK EXCLUDING SCOTTISH TAXPAYERS' NON-DIVIDENDS, NON-SAVINGS INCOME)**

	<b>2019/20</b>	<b>2020/21</b>
	<b>£</b>	<b>£</b>
Starting rate	0%	0%
Starting rate on savings income	1-5,000	1-5,000
Personal savings allowance (for savings income)		
- Basic rate taxpayers	1,000	1,000
- Higher rate taxpayers	500	500
- Additional rate taxpayers	Nil	Nil
Basic rate	20%	20%
Maximum tax at basic rate+	7,500+¶	7,500+¶
Higher rate - 40%	37,501- 150,000+¶	37,501- 150,000+¶
Tax on first £150,000+	52,500+¶	52,500+¶
Additional rate on income over £150,000	45%¶	45%¶
Discretionary and accumulation trusts (except dividends) °	45%	45%
Discretionary and accumulation trusts (dividends) °	38.1%	38.1%
Dividend nil rate band (dividend allowance)	1-2,000	1-2,000
Basic rate on dividends	7.5%	7.5%
Higher rate on dividends	32.5%	32.5%
Additional rate on dividends	38.1%	38.1%
High income child benefit charge	1% of benefit per £100 income between £50,000 and £60,000	

+ Assumes starting rate band not available and personal savings allowance is ignored.

If full starting rate band is available:

- £6,500 on first £37,500 in 2020/21 (£6,500 on first £37,500 in 2019/20); and
- £51,500 in 2020/2021 (£51,500 in 2019/20) on first £150,000.

¶ For Scotland, the 2020/21 tax bands and tax rates, which cover only non-dividend and non-savings income, are:

19% starter rate on income up to	£2,085
20% basic rate on next slice of income up to	£12,658
21% intermediate rate on next slice up to	£30,930
41% higher rate on next slice up to	£150,000
46% top rate on income over	£150,000

The Scottish Budget, setting 2020/21 figures, was announced in February, but the relevant legislation has yet to pass through Holyrood.

Wales can now set its own tax rates, but adhered to the UK bands for 2019/20 and will do so again in 2020/21.

- Up to the first £1,000 of gross income is generally taxed at the standard rate, ie. 20% or 7.5% as appropriate.



## CAR BENEFITS

The charge is based on a percentage of the car's "price". "Price" for this purpose is the list price at the time the car was first registered plus the price of extras.

**For cars first registered after 31 December 1997 the charge, based on the car's "price", is graduated according to the level of the car's approved CO<sub>2</sub> emissions.**

*For petrol cars with an approved CO<sub>2</sub> emission figure.*

CO <sub>2</sub> g/km <sup>1</sup>	Electric Range (miles)	% of price subject to tax <sup>2</sup>		
		19-20	20-21	
			Registered pre- 6/4/20 (NDEC)	Registered 6/4/20 on (WLTP)
0	N/A	16	0	0
1-50	130 or more	16	2	0
1-50	70-129	16	5	3
1-50	40-69	16	8	6
1-50	30-39	16	12	10
1-50	Less than 30	16	14	12
51-54		19	15	13
55-59		19	16	14
60-64		19	17	15
65-69		19	18	16
70-74		19	19	17
75		19	20	18
76-79		22	20	18
80-84		22	21	19
85-89		22	22	20
90-94		22	23	21
95-99		23	24	22
100-4		24	25	23

105-9		25	26	24
110-4		26	27	25
115-119		27	28	26
CO2 g/km <sup>1</sup>	% of price subject to tax <sup>2</sup>			
	19-20	20-21		
		Registered pre-6/4/20 (NDEC)	Registered 6/4/20 on (WLTP)	
120-124	28	29	27	
125-129	29	30	28	
130-134	30	31	29	
135-139	31	32	30	
140-144	32	33	31	
145-149	33	34	32	
150-154	34	35	33	
155-159	35	36	34	
160-164	36	37	35	
165-169	37	37	36	
170 or more	37	37	37	

#### Notes

1. The exact CO<sub>2</sub> emissions figure are based on NDEC for pre-6 April 2020 registration and WLTP for cars registered thereafter.
2. For diesels add 4% unless RDE2 emissions standards are met (mandatory for registrations from 1 January 2021), subject to maximum charge of 37%.

## CAR FUEL BENEFITS

For cars with an approved CO<sub>2</sub> emission figure, the benefit is based on a flat amount of £24,500 (£24,100 for 2019/20). To calculate the amount of the benefit the percentage figure in the above car benefits table (that is from 0% to 37%) is multiplied by £24,500. The percentage figures allow for a diesel fuel surcharge. For example, in 2020/21 a petrol car registered before 6 April 2020 emitting 118 g/km would give rise to a fuel benefit of 28% of £24,500 = £6,860.

## INHERITANCE TAX

	Cumulative chargeable transfers [gross]		tax rate on death %	tax rate in lifetime* %
	2019/20 £	2020/21 £		
Nil rate band <sup>+</sup>	325,000	325,000	0	0
Residence nil rate band <sup>¶</sup>	150,000	175,000	0	N/A
Residence nil rate band reduced if estate exceeds <sup>°</sup>	£2,000,000	£2,000,000	N/A	N/A
Excess above available nil rate band(s)	No limit	No limit	40 <sup>∞</sup>	20

\* Chargeable lifetime transfers only.

<sup>+</sup> On the death of a surviving spouse on or after 9 October 2007, their personal representatives may claim up to 100% of any unused proportion of the nil rate band of the first spouse to die (regardless of their date of death).

<sup>¶</sup> On the death of a surviving spouse on or after 6 April 2017, their personal representatives may claim up to 100% of any residence nil rate band of the first spouse to die (regardless of their date of death, but subject to the tapered reduction).

<sup>°</sup> For all tax years the reduction is £1 for every £2 additional estate over £2,000,000. As a result, there is no residence nil rate band available in 2020/21 if the total estate exceeds £2,350,000 (£2,700,000 on second death if the full band is inherited).

<sup>∞</sup> 36% where at least 10% of net estate before deducting the charitable legacy is left to charity.

## CAPITAL GAINS TAX

### Main exemptions and reliefs

	2019/20 £	2020/21 £
Annual exemption	12,000*	12,300*
Principal private residence exemption	No limit	No limit
Chattels exemption	£6,000	£6,150
Entrepreneurs' relief	Lifetime cumulative limit £10,000,000**. Gains taxed at 10%	Lifetime cumulative limit £1,000,000. Gains taxed at 10%

\* Reduced by at least 50% for most trusts.

\*\* £1,000,000 for disposals on or after 11 March 2020

### Rates of tax

Individuals: 10% on gains within UK basic rate band, 20% for gains in UK higher and additional rate bands

Trustees and personal representatives: 20%

Additional rate for residential property and carried interest gains 8%

## STAMP DUTY LAND TAX, LAND AND BUILDINGS TRANSACTION TAX, LAND TRANSACTION TAX AND STAMP DUTY

### England and Northern Ireland: SDLT

Residential (on slice of value)	Rate <sup>¶</sup> +	Commercial (on slice of value)	Rate
£125,000 or less	Nil	£150,000 or less	Nil
£125,001 to £250,000 <sup>°</sup>	2%	£150,001 to £250,000	2%
£250,001 to £925,000* <sup>°</sup>	5%	Over £250,000	5%
£925,001 to £1,500,000*	10%		
Over £1,500,000*	12%		

\* 15% for purchases over £500,000 by certain non-natural persons  
<sup>°</sup>First-time buyers: First £300,000 slice of value at 0% if property consideration is not more than £500,000

¶ All rates increased by 3% for purchase of additional residential property if value is £40,000 or more

### Scotland: LBTT

Residential (on slice of value)	Rate <sup>¶</sup>	Commercial (on slice of value)	Rate
£145,000* or less	Nil	£150,000 or less	Nil
£145,001* to £250,000	2%	£150,001 to £250,000	1%
£250,001 to £325,000	5%	Over £250, 000	5%
£325,001 to £750,000	10%		
Over £750,000	12%		

¶ All rates increased by 4% for purchase of additional residential property if value is £40,000 or more  
\*£175,000 for first-time buyers

### Wales: LTT

Residential (on slice of value)	Rate <sup>¶</sup>	Commercial (on slice of value)	Rate
£180,000 or less	Nil	£150,000 or less	Nil
£180,001 to £250,000	3.5%	£150,001 to £250,000	1%
£250,001 to £400,000	5%	£250,001 to £1,000,000	5%
£400,001 - £750,000	7.5%	Over £1,000, 000	6%
£750,001 to £1,500,000	10%		
Over £1,500,000	12%		

¶ All rates increased by 3% for purchase of additional residential property if value is £40,000 or more

### UK Stamp Duty (including SDRT)

Stocks and marketable securities:	0.5%
No stamp duty charge unless the duty exceeds £5	

### CORPORATION TAX

	Year Ending 31 March	
	2020	2021
Main rate	19%	19%

## TAX PRIVILEGED INVESTMENTS [MAXIMUM INVESTMENT]

	2019/20 £	2020/21 £
<b>ISA</b>		
Overall per tax year:	20,000	20,000
Maximum in cash for 16 and 17 year olds	20,000	20,000
Junior ISA (additional to overall limit for 16-17 year olds)	4,380	9,000
Help to buy ISA °	£1,000 initial (to 30/11/19) and £200 a month	£200 a month
Lifetime ISA	4,000	4,000
<b>ENTERPRISE INVESTMENT SCHEME</b> (30% income tax relief)	2,000,000*	2,000,000*
Maximum carry back to previous tax year for income tax relief	1,000,000	2,000,000
<b>SEED ENTERPRISE INVESTMENT SCHEME</b> (50% income tax relief)	100,000¶	100,000¶
<b>VENTURE CAPITAL TRUST</b> (30% income tax relief)	200,000	200,000

° Closed to new investors from 1 December 2019. Existing investors may continue to contribute.

\* Income tax-relieved investment above £1m must be in knowledge-intensive companies. No limit for CGT reinvestment relief.

¶ 50% CGT reinvestment exemption in 2019/20 and 2020/21

## PENSIONS

	2019/20	2020/21
Lifetime allowance*	£1,055,000	£1,073,100
Lifetime allowance charge: Excess drawn as cash Excess drawn as income	55% of excess 25% of excess	
Annual allowance	£40,000¶	£40,000 **
Money purchase annual allowance	£4,000	£4,000
Annual allowance charge	20%-45% of excess	
Max. relievable personal contribution	100% relevant UK earnings or £3,600 gross if greater	

\* May be increased under 2006, 2012, 2014 or 2016 transitional protection provisions.

¶ Subject to 50% taper down to a minimum of £10,000 based on adjusted income in excess of £150,000, if threshold income exceeds £110,000

\*\* Subject to 50% taper down to a minimum of £4,000 based on adjusted income in excess of £240,000, if threshold income exceeds £200,000

## NATIONAL INSURANCE CONTRIBUTIONS

<b>Class 1 Employee</b>				
	2019/20		2020/21	
	Employee	Employer	Employee	Employer
Main NIC rate	12%	13.8%	12%	13.8%
No NICs on first: Under 21*	£166 pw	£962 pw	£183 pw	£962 pw
21* & over	£166 pw	£166 pw	£183 pw	£169 pw
Main NIC charged up to	£962 pw	No limit	£962 pw	No limit
Additional NIC rate on earnings over	2% £962pw	N/A	2% £962pw	N/A

\* 25 for apprentices

<b>Employment Allowance</b>		
	<b>2019/20</b>	<b>2020/21</b>
Per business*	£3,000	£4,000 <sup>+</sup>

\* Not available if a director is the sole employee

+ Only available if 2019/20 secondary NICs were less than £100,000

<b>Limits and Thresholds</b>	<b>2019/20</b>		<b>2020/21</b>	
	<b>Weekly £</b>	<b>Yearly £</b>	<b>Weekly £</b>	<b>Yearly £</b>
Lower earnings limit	118	6,136	120	6,240
Primary earnings threshold	166	8,632	183	9,500
Secondary earnings threshold	166	8,632	169	8,788
Upper secondary threshold – U21s*	962	50,000	962	50,000
Upper earnings limit	962	50,000	962	50,000

\* Under 25 for apprentices

<b>Self-employed and non-employed</b>	<b>2019/20</b>	<b>2020/21</b>
<b>Class 2</b>		
Flat rate	£3.00 pw	£3.05pw
Small profits threshold	£6,365 pa	£6,475pa
<b>Class 4 (Unless over state pension age on 6 April)</b>		
On profits	£8,632– £50,000 pa: 9% Over £50,000 pa: 2%	£9,500 – £ 50,000 pa: 9% Over £ 50,000 pa: 2%
<b>Class 3 (Voluntary)</b>		
Flat rate	£15.00 pw	£15.30 pw