

Budget 2020: tax headlines

11 March 2020



Individuals

- From 6 April 2020, the National Insurance threshold will increase to £9,500 (currently £8,632).
- The personal allowance will remain at £12,500 for 2020/21, as previously announced.
- For disposals taking place on or after 11 March 2020 the lifetime limit on gains eligible for Entrepreneurs' Relief has been reduced from £10 million to £1 million. Anti-forestalling measures have also been introduced.
- The two tapered annual allowance thresholds for pensions will each be raised by £90,000. For 2020/21, the threshold income will be £200,000.
- The minimum level to which the pensions annual allowance can be tapered down to will reduce from £10,000 to £4,000 from April 2020, impacting those with a total income above £300,000.
- The lifetime allowance for pension savings will increase in line with CPI for 2020/21, rising to £1,073,100.
- The ISA annual subscription limit for 2020/21 will remain at £20,000. The annual subscription limit for Junior ISAs for 2020/21 will be increased from £4,368 to £9,000.



Businesses

- The rate of corporation tax will remain at 19% in 2020/21.
- The Employment Allowance will increase from £3,000 to £4,000 from April 2020.
- As previously announced, changes to off-payroll working rules (IR35) will be implemented from 6 April 2020. The Government has recently concluded a review of the reforms, and is making a number of changes to support its smooth and successful implementation.
- The Structures and Buildings Allowance annual rate will be increased from 2% to 3%, effective from 1 April 2020 for corporation tax and 6 April 2020 for income tax.
- From 1 April 2020, the Research and Development Expenditure Credit (RDEC) will be increased from 12% to 13%.
- The Government has committed to consult on whether data and cloud computing should qualify for R&D tax credits.
- The Enterprise Management Incentives (EMI) scheme will be reviewed to ensure its effectiveness and examine whether more companies should be able to access the scheme.
- As announced previously, a digital services tax will be implemented from 1 April 2020. This will be a 2% tax on the revenues of certain digital business to ensure that the amount of tax paid in the UK is reflective of the value derived from UK users. The DST will be repealed once a G20 or OECD global tax solution on digital services is in place.
- From April 2021 large businesses will be required to notify HMRC when they take a tax position which HMRC is likely to challenge. This policy will draw on international accounting standards which many large businesses already follow.
- As announced previously, from 1 April 2020, companies' use of carried-forward capital losses will be restricted to 50% of capital gains, subject to an unrestricted use of £5 million of capital or income losses each year.
- The Government will consult on the corporation tax rules that apply to hybrid mismatch arrangements that seek to exploit the differences in tax treatment between two jurisdictions to ensure that the rules work as intended.
- A fundamental review of business rates has been announced, to be concluded in the Autumn Budget.

Property

- From 1 April 2021, there will be a 2% Stamp Duty Land Tax (SDLT) surcharge on non-UK residents purchasing residential property in England and Northern Ireland.
- The Government will introduce a relief for qualifying housing co-operatives from the Annual Tax on Enveloped Dwellings (ATED) and the 15% flat rates of Stamp Duty Land Tax (SDLT) on purchases of dwellings over £500,000. 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.

VAT

- From 1 January 2021 the so called 'tampon tax' will be abolished, so there will be no VAT on women's sanitary products.
- A zero rate of VAT will be applied to e-publications from 1 December 2020.

Energy and environmental

- The Government will introduce a new Plastic Packaging Tax from April 2022 to incentivise the use of recycled plastic in packaging. The Budget sets the rate at £200 per tonne of plastic packaging that contains less than 30% recycled plastic and will apply to the production and importation of plastic packaging.
- From April 2021, first year allowances will be extended to zero emission vehicles (ZEVs) and the main rate writing down allowance (WDA) of 18% will apply to cars with emissions up to 50g/km. The special rate WDA of 6% will apply to higher polluting cars with emissions above 50g/km.
- Entitlement to the use of red diesel tax relief will be removed from April 2022, except for agriculture, rail and for non-commercial heating (including domestic).

Covid-19

Since emerging in China in December 2019, COVID-19 has spread widely, with a significant number of cases reported worldwide, including an increasing number in the UK. The impact of the outbreak of COVID-19 on the UK economy is highly uncertain, Budget announcements included provision of support for public services, individuals and businesses to include:

- For individuals, the Budget announced that Statutory Sick Pay (SSP) would be extended for those advised to self-isolate, and those in the same household, even if they are not displaying symptoms.
- For small and medium sized businesses with less than 250 employees, the cost of SSP for those with COVID-19 or required to self isolate will be refunded in full, up to two weeks per employee.
- The planned Business Rates retail discount of 50% will be increased to 100% for small businesses in 2020/21 and will be expanded to the leisure and hospitality sectors.
- A tax helpline has been launched to help businesses and self-employed individuals in financial distress and with outstanding tax liabilities receive support with their tax affairs; they may be able to agree a bespoke Time to Pay arrangement.

Contact us

For help on any tax issues, contact your usual advisor, or email tax@uk.gt.com.