

## Bullimores' Notes and Commentary on the Chancellors's Statement 11 March 2020

### Fixing the potholes whilst planning for the future

There was never any intention to balance this Budget. The impact of the new policy decisions and those previously announced is additional spending of around £175 billion over the next five years and an estimated £97 billion of additional borrowing in the next three to four years.

The demand from the country was to cut the purse strings, but the promise in the election was not to increase income tax rates. This restricted the Chancellor to paying for it all with increased borrowing, whilst anticipating growth and not increasing personal tax allowances. The Bank of England decision to lower base rates in response to Coronavirus will only help in the short term.

The tax measures in the Budget skirted around the edges and pushed further decisions into the long grass or rather 'further consultation'. However, the 2% digital services tax will begin in April 2020 despite the fervent protestations of the US, and this seems to have escaped much attention with the focus on the current crisis.

The significant tax raising measures were to keep corporation tax at 19%, as expected, and to lower the lifetime limit on entrepreneurs' relief to £1m, apparently because of 'abuse'. The entrepreneurs that we advise use the relief for the purpose for which it was intended, to encourage individuals to invest their time, expertise and money into a small business and to take the risk of managing that business. It is these small businesses and entrepreneurs that innovate and will raise productivity levels; it is wrong to treat them with such disregard. Cut the limits but cease the insults, they do not have the comfort of a civil service pension.

We would like to have seen a review into the working from home and travel rules that at present do not reflect the way that modern businesses operate; an increase to the allowance for an employee working from home to £6 week goes no way to addressing this.

The Chancellor stayed with the revamped IR35 rules that affect larger businesses engaging contractors working through a personal service company. This has already resulted in a number of contractors losing work, even where they do not fall foul of the IR35 rules. Companies have decided not to review individual contracts but to force these contractors onto the payroll, or to work through umbrella companies, because of the administration involved in assessing individual cases. Whilst understandable, it was surely never the intention for a dynamic modern economy to be hamstrung by these blanket decisions.

It is good to see the immediate measures to help small businesses affected by the Coronavirus. The temporary business rates reduction for the extended retail sector is needed, although there is more long term planning required to help the High Street. It will be a very brave Chancellor indeed that tries to take away the exemption in 2021.

We were delighted with the pothole funding, and there is no need to rush to the supermarket for our wine, beer or spirits, which means we can avoid the queues of people stockpiling loo roll.

**"The invention of the teenager was a mistake. Once you identify a period of life in which people get to stay out late but don't have to pay taxes – naturally, no one wants to live any other way."**

*Judith Martin*

**"Death, taxes and childbirth!  
There's never any convenient  
time for any of them."**

*Margaret Mitchell – Gone with the Wind*

## Income Tax and National Insurance Contributions

- IR35 off payroll working in the private sector – no changes to previous policy decision - 6 April 2020
- National Insurance threshold increase to £9,500 – 6 April 2020
- Van benefit charge and fuel benefit charges to increase by inflation – 6 April 2020
- Zero emission van benefit charge to be NIL – 6 April 2021
- Scope of non-taxable counselling services to employees extended – 6 April 2020
- Apprenticeship bursaries to care leavers 16-24 confirmed as tax exempt – retrospective effect
- National Insurance holiday for the employers of veterans – 6 April 2021
- Loan charge on disguised remuneration revisited and the recommendations of the independent review in December 2019 mainly accepted – allowing the charge to be split over three years, narrow the scope of the charge and remove some interest charges. In certain cases, repayments may be due – retrospective effect 5 April 2019
- Personal allowance reinstated for the calculation of top income slicing relief on life insurance policy gains – 11 March 2020

## Pensions and Savings

- Tapered annual allowance thresholds increase for income to £200,000 (from £110,000), and adjusted income to £240,000 (from £150,000) - 6 April 2020
- Minimum tapered annual allowance cut to £4,000 – 6 April 2020
- Junior ISA limit and Child Trust Fund subscription limit increased to £9,000 – 6 April 2020
- Adult ISA limits and 0% tax band rate on savings unchanged
- Lifetime allowance for pensions increase by inflation to £1,073,100 – 6 April 2020

## Inheritance Tax

- No change to planned increase of residence NIL rate band £175,000 – 6 April 2020

**Bullimores are licenced to assist with non-contentious probate  
Please speak with us for further details**

## Capital Gains Tax

- Reduction in Entrepreneurs' Relief lifetime limit to £1m from £10m for qualifying disposals – 11 March 2020
- CGT allowance increase to £12,300 – 6 April 2020
- Payment of CGT on property sales within 30 days – 6 April 2020

## Business Taxes

- No corporation tax rate reduction – to remain at 19%
- Employment allowance increase on secondary Class 1 NIC £4,000 – 6 April 2020
- Additional investment allowance for plant and machinery reverts to £200,000 from £1m – 1 January 2021
- Capital allowances on qualifying expenditure on non-residential buildings and structures 3% - 1 April 2020 and 6 April 2020
- 100% capital allowances on zero emission cars extended to 2025
- Zero emission goods vehicles to qualify for 100% first year allowances – 1 April 2021 and 6 April 2021
- Flat rate deduction for employees working from home increase to £6 from £4 per week – 6 April 2020
- Research and development expenditure credit, mainly affecting large businesses not SME's to increase to 13% - 1 April 2020
- PAYE cap on payable tax credit for SME's claiming R&D delayed until 1 April 2021
- Taxation of UK property income of non UK resident companies to be subject to corporation tax rules – 6 April 2020
- Large companies only able to use 50% of capital losses brought forward against capital gains – accounting periods ending on or after 1 April 2020

- Qualifying intellectual property owned prior to 1 April 2002 acquired from related parties may qualify for capital allowances – 1 July 2020. Transitional rules may apply
- Digital services tax for multinational enterprises with revenues greater than £500m and £25m UK revenues to be taxed at 2% of revenue - 1 April 2020

**If considering investment in significant plant and machinery, thought should be given to the reduction in the additional investment allowance and accounting periods**

### Anti-avoidance

- Legislation to be introduced to prevent abuse of CIS – immediate effect
- Large businesses obliged to notify HMRC when a tax position is taken that HMRC is likely to challenge – 1 April 2021
- Promoters that market tax avoidance schemes to be further targeted with potential 100% penalties of fees earned – July 2020
- Taxpayers and advisers to report certain cross border arrangements designed to avoid tax
- Transfer of unlisted securities to connected companies targeted market value rule for stamp duties

### VAT and Insurance Premium Tax

- Zero rate VAT for women's sanitary products – 1 January 2021
- Zero rate VAT on certain e-publications (not audio books) – 1 December 2020
- VAT domestic reverse charge in construction to be implemented – 1 October 2020
- Agricultural flat rate scheme to be introduced where turnover from farming is less than £150,000 and non-farming less than £85,000 – 1 January 2021
- VAT treatment of call off stock transferred between UK and EU states legislated (affects few businesses) – effective 1 January 2020

### Duties and Cars

- Alcohol duty rates frozen
- Fuel duty rates frozen
- Red diesel entitlements restricted from all sectors excluding agriculture, rail and non-commercial heating – April 2022
- Company car tax rates for cars first registered from 6 April 2020 to be reduced for most cars by 2%, rates to then return to planned levels in 2021 and 2022 - 6 April 2020
- Air passenger duty to increase long haul duty rates by inflation – 1 April 2021
- Vehicle excise duty to rise by inflation – 1 April 2020
- Zero emission light passenger vehicles exempted from VED supplement until 31 March 2025 – 1 April 2020
- Tobacco duty 2% above RPI, hand rolling tobacco 6% above RPI
- Gaming yield duty bands to increase by inflation – 1 April 2020
- Reduced vehicle excise duty on motorhomes and campervans – 12 March 2020

### Stamp Duties and SDLT

- 2% SDLT surcharge on non-residents purchasing residential property, transitional rules where contracts exchanged before 11 March 2020 – 1 April 2021
- ATED charge to increase 1.7% - 1 April 2020

### Business Rates

- Business rate retail discount of 50% for properties with a rateable value <£51,000 to include cinemas and music venues (see below for coronavirus special measures raising to 100%)
- Public lavatories to qualify for 100% business rates relief (!) – April 2020

### Environment

- Plastic import tax £200 per tonne where less than 30% recycled plastic – April 2022
- Landfill tax rates to increase by inflation – 1 April 2020

- Private pleasure craft to use white diesel unless a separate tank for domestic use
- Climate change levy confirmed and rebalancing of electricity and gas rates – 1 April 2020

**The mileage allowance for cycling is 20p per business mile**

### Further issues/announcements

- Licences to operate taxis and private hire vehicles and scrap metal to be refused unless tax compliance is demonstrated
- Enhanced capital allowances in enterprise zones extended until 31 March 2021
- Banks unable to use losses from a non-banking company to reduce banking surcharge – 11 March 2020

### New consultations/reviews and discussions

- Pension relief – availability of Government basic rate top up where the saver does not pay income tax
- Research and development tax credit – should data and cloud computing qualify
- Making Tax Digital impact – whether to bring in extensions to the current system
- Tax review of UK fund regime – including VAT treatment of fund management fees
- VAT partial exemption and capital goods scheme
- VAT in financial services
- VAT treatment of goods from overseas sellers
- Vehicle excise duty – use of VED to encourage take-up of zero emission vehicles
- Simplification of alcohol duty
- Small brewers' relief – Spring 2020
- Supply chain due diligence in the construction industry
- Government awards and authorisations – making tax compliance a condition
- Raising the standards in tax advice (obviously not us!) – Spring 2020
- Modernising the collection of insurance premium tax
- Business rates (again)
- EMI schemes – whether the scope should be extended
- Aviation tax reform to meet net emissions targets

### Tax Administration

- HMRC to become a secondary preferential creditor in insolvency for taxes collected as agent for HMRC – 1 December 2020 (previously 1 April 2020)
- Computers that generate tax notices and penalties at HMRC to have the same status as a person – retrospective effect

### Special Coronavirus measures

- SSP to be paid from the first day of sickness absence rather than the 4<sup>th</sup> day – temporary extension of SSP where advised to self isolate and for people in the same household displaying symptoms
- Notification from NHS111 to be sufficient as evidence for absence from work
- Temporary easing of claims to Employment Support Allowance and Universal Credit
- Hardship fund for local authorities to support vulnerable people
- Refunds of eligible SSP claims for SME businesses with certain criteria
- Business rates retail discount <£51,000 rateable value extended to 100% for 2020/21
- Business rates discount for pubs with rateable value <£100,000 of £5,000 2020/21
- Small businesses that do not pay business rates may apply for a grant of £3,000
- Time to pay arrangements extended with HMRC for tax payments 0800 0159559
- Coronavirus business interruption loans scheme through the British Business Bank and guaranteed by Government to 80%

*This Budget Report was prepared immediately after the Chancellor's Budget Statement based on official press releases and supporting documentation. The Budget proposals are subject to amendment before the Finance Act receives Royal Assent. This Report is for guidance only, and professional advice should be obtained before acting on any information contained herein.*

**RATES 2018/19 and 2019/20**

<b>INCOME TAX RATES</b>	<b>2019/2020</b>	<b>2020/2021</b>
Basic rate – 20%	£37,500	£37,500
Higher rate – 40%	£150,000	£150,000
Additional rate – 45%	over £150,000	over £150,000
Savings income rate - 0% starting rate	£5,000	£5,000
Dividends - ordinary rate 7.5%; upper rate 32.5%; additional rate 38.1%		

<b>PERSONAL ALLOWANCES</b>	<b>2019/2020</b>	<b>2020/2021</b>
Allowances that reduce taxable income		
Personal allowance *	£12,500	£12,500
Transferable marriage allowance for non-higher rate taxpayers	£1,250	£1,250
Dividend allowance	£2,000	£2,000
Personal savings allowance for basic rate taxpayers	£1,000	£1,000
Personal savings allowance for higher rate taxpayers	£500	£500
<i>* Personal allowance gradually withdrawn for all individuals when income exceeds £100,000</i>		

<b>VALUE ADDED TAX</b>	<b>From 1 April 2019</b>	<b>1 April 2020</b>
Registration threshold	£85,000	£85,000
De-registration threshold	£83,000	£83,000

<b>2020/2021 NATIONAL INSURANCE CONTRIBUTIONS</b>		
<b>Class 1* (not contracted out)</b>		
	<b>Employer</b>	<b>Employee</b>
Weekly earnings bands		
up to £169	Nil	Nil
£169 - £962	13.8%	12%
over £962	13.8%	2%
payable until reaching State Pension age		
Class 1A	On relevant benefits	13.8%
Class 2*	Self employed	£3.05 per week
	Limit of net earnings for exception	£6,475 per annum
Class 3	Voluntary	£15.30 per week
Class 4*	Self employed on profits £9,500 - £50,000	9%
	Self employed on profits over £50,000	2%
<i>* Exemption tax the year after reaching retirement age.</i>		

<b>CORPORATION TAX</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Main rate	19%	19%	19%

<b>CAPITAL TAXES</b>	<b>2019/2020</b>	<b>2020/2021</b>
Capital gains tax annual exemption	£12,000	£12,300
Capital gains tax rate - basic rate taxpayer	10%	10%
Capital gains tax rate - higher rate taxpayer	20%	20%
Surcharge on carried interest and residential property (that does not qualify for private residence relief)	8%	8%
Entrepreneurs relief rate	10%	10%
Entrepreneurs relief lifetime limit of gains	£10,000,000	£1,000,000
Inheritance tax nil rate band	£325,000	£325,000
Married couples and civil partners - max	£650,000	£650,000
Residence nil rate band limit	£150,000	£175,000

## COMPANY CARS

### P11d Benefits - Table of taxable percentage of the list price for 2019/2020

- Diesel supplement of 4% to percentages below to a maximum of 37% (no supplement if RD2E standard met)

CO <sub>2</sub> in g/km	Taxable %	CO <sub>2</sub> in g/km	Taxable %	CO <sub>2</sub> in g/km	Taxable %
0 to 50	16%	110 to 114	26%	140 to 144	32%
51 to 75	19%	115 to 119	27%	145 to 149	33%
76 to 94	22%	120 to 124	28%	150 to 154	34%
95 to 99	23%	125 to 129	29%	155 to 159	35%
100 to 104	24%	130 to 134	30%	160 to 164	36%
105 to 109	25%	135 to 139	31%	165 and over	37%

The exact CO<sub>2</sub> figure is always rounded down to the nearest 5 grams per kilometre. For example, CO<sub>2</sub> emissions of 188g/km are treated as 185g/km.

### 2019/20 EMPLOYER PROVIDING FUEL FOR PRIVATE USE

Free fuel for private use – multiplier is £24,100

### VAT FUEL SCALE CHARGE – 3 MONTH CHARGE FROM 1 MAY 2019 to 30 APRIL 2020

CO <sub>2</sub> BAND in g/km	VAT FUEL CHARGE 3 month period, £	VAT ON 3 MONTH CHARGE @ 20%, £	FUEL SCALE CHARGE (Net amount), £
120 or less	147.00	24.50	122.50
125	222.00	37.00	185.00
130	236.00	39.33	196.67
135	250.00	41.67	208.33
140	265.00	44.17	220.83
145	280.00	46.67	233.33
150	296.00	49.33	246.67
155	310.00	51.67	258.33
160	325.00	54.17	270.83
165	340.00	56.67	283.33
170	354.00	59.00	295.00
175	369.00	61.50	307.50
180	384.00	64.00	320.00
185	399.00	66.50	332.50
190	414.00	69.00	345.00
195	429.00	71.50	357.50
200	444.00	74.00	370.00
205	458.00	76.33	381.67
210	473.00	78.83	394.17
215	487.00	81.17	405.83
220	502.00	83.67	418.33
225 or more	517.00	86.17	430.83

Please refer to Bullimores if you are applying fuel scale charges for a 12 month or 1 month period. There are also different rates for hybrid cars.

### COMPANY VANS

The taxable benefit for company vans with no restrictions on private use is £3,430, with no reduction for older vans. There is an additional £655 taxable benefit for fuel for private mileage.