



LEWIS BROWNLEE

CHARTERED ACCOUNTANTS | TAX ADVISERS | REGISTERED AUDITORS

Tax Facts

2020-2021

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INCOME TAX RELIEFS & ALLOWANCES

| | 2020/21 (£) | 2019/20 (£) |
|---|-------------|-------------|
| Personal ⁺ | 12,500 | 12,500 |
| Married couple's allowance ^{++^*} | 9,075 | 8,915 |
| Income limit for non-age related allowances | 100,000 | 100,000 |
| Income limit for age related allowances | 30,200 | 29,600 |
| Blind person allowance | 2,500 | 2,450 |
| Seed enterprise investment scheme ^{**} | 100,000 | 100,000 |
| Enterprise investment scheme ^{***} | 1,000,000 | 1,000,000 |
| Venture capital trust ^{****} | 200,000 | 200,000 |
| Rent a room relief | 7,500 | 7,500 |

+ Allowance reduced by 50% of excess over the income limit. No allowance due if taxable income exceeds £125,000 (2019/20 £125,000).

++ Age allowances reduced by 50% of excess over the income limit (but not below level of main personal allowances; or in the case of the married couple's age allowance, £3,510 (2019/20 £3,450), if taxable income below £100,000). Only available to persons born on or before 5 April 1948.

^ Married couple's age allowance only available where one of the couple was born before 6 April 1935.

* Relief restricted to 10%.

** Relief 50%; capital gains deferral or elimination available

*** Relief at 30%; capital gains deferral available; up to £2m if 1m invested in knowledge-intensive companies

**** Relief at 30%

Where one of a couple in a marriage or civil partnership is not liable to income tax above basic rate they can transfer 10% of the basic personal allowance (£1,250) (2019/20 £1,250) to their spouse/civil partner provided the recipient is not liable to tax above the basic rate. Tax reduction is up to 20% of the transferred amount.

High-income benefit charge – threshold £50,000. 1% charge up to £60,000 when the whole benefit is charged.

PERSONAL PENSIONS & RETIREMENT ANNUITIES

2020/2021

In outline contributions of up to £3,600 per annum (gross) but paid net of basic rate tax can be made to pension schemes without any earnings. Contributions can be made above this level provided there are sufficient earnings up to a maximum of £40,000 gross (only £10,000 in certain circumstances).

Unused relief from 2017/18, 2018/19 and 2019/20 up to a maximum of £120,000 can be carried forward to 2020/21 provided a member of scheme in those years.

If the total of employer and employee contributions exceeds an individual's entitlement, there will be a tax charge at the individual's marginal rate of tax on the excess.

Retirement annuity premiums may still be paid gross unless the scheme administrator says otherwise.

If, when benefits are taken, the capital value of all a member's funds exceeds the lifetime allowance, set at £1,073,100 million for 2020/21, an income tax charge will arise.

Those with both adjusted income in excess of £240,000, including employer's contributions and threshold income in excess of £200,000, will have the normal £40,000 annual allowance reduced by £1 for every £2 over £240,000 up to an adjusted income of £312,000 when the allowance is fixed at £4,000.

£4,000 money purchase annual allowance will apply if you start drawing the taxable part of your pension.

PERSONAL INCOME TAX RATES (EXC. SCOTLAND)

| Rates | % | 2020/21 | % | 2019/20 |
|------------|----|----------------|----|----------------|
| Basic | 20 | up to £37,500 | 20 | up to £37,500 |
| Higher | 40 | Above £37,500 | 40 | Above £37,500 |
| Additional | 45 | Above £150,000 | 45 | Above £150,000 |

The first £2,000 of dividend income is taxed at 0%; (2019/20 £2,000) above this basic rate tax payers pay 7.5%, higher rate taxpayers 32.5% and additional rate taxpayers 38.1%.

The first £1,000 of savings income for basic rate taxpayers is taxed at 0% (2019/20 £1,000) and first £500 taxed at 0% (2019/20 £500) for higher rate taxpayers. A lower 0% rate on savings income applies if non-savings income after allowances does not exceed £5,000 (2019/20 £5,000) and only on the difference between this sum and the non-savings income.

For 2020/21 and 2019/20 the first £1,000 of rental income or casual trading is tax free.

CAPITAL GAINS TAX

INDIVIDUALS & TRUSTS

| Annual exempt amounts | 2020/21 (£) | 2019/20 (£) |
|--|-------------|-------------|
| Individuals, personal representatives, for year of death and two years thereafter and trusts for mentally disabled or those in receipt of attendance allowance, etc. | 12,300 | 12,000 |
| Other trusts generally | 6,150 | 6,000 |

Business asset disposal relief formerly entrepreneurs' relief is due on the first £1,000,000 of qualifying gains from 11 March 2020 (prior relief £10,000,000) reducing the rate to 10%. Investor's relief remains unchanged at £10,000,000 also reducing the rate of capital gains to 10%.

Rate: Individuals 2020/21 and 2019/20 20% and 10% (except residential property and Carried interest 28% and 18%)

Rate: Trusts and estates 2020/21 and 2019/20 20% (except residential property and carried interest 28%)

Entrepreneurs' relief and investors' relief is due on the first £1,000,000 of qualifying gains from 11 March 2020 (prior relief £10,000,000) reducing the rate to 10%.

Note: Certain disposal of UK land and buildings by non-residents must be reported and the tax paid to HMRC within 30 days of completion. Similar rules apply for certain disposals of residential properties by UK residents from 6 April 2020.

INHERITANCE TAX

Transfers made after 5 April 2020 - Death Rates

| Gross transfer | £ | Rate % |
|----------------|---------|--------|
| First | 325,000 | 0 |
| Excess | | *40 |

* 36% rate where 10% or more of deceased's estate left to charity

There is taper relief on transfers more than three but less than seven years before death. Chargeable lifetime transfers are initially charged at 20% instead of 40%. Unutilised percentage of 'nil' band on first death of a married couple or civil partnership transferable to the survivor but must be claimed on second death. Also a residence nil rate band of £175,000 (2019/20 £150,000), the unused percentage of which can be transferred. For estates in excess of £2m, a 50% taper withdrawal rate applies.

100% relief applies for qualifying businesses, AIM companies, certain farmland/farm buildings subject to conditions.

Exemptions

There are exemptions for small gifts: £250 per donee.

Annual gifts: £3,000 per donor.

In consideration of marriage: parent £5,000; grandparent, remoter ancestor or party to marriage £2,500; other £1,000, and transfers between UK domiciled spouses and civil partners.

CORPORATION TAX

| | | |
|-------------------|-------------|-------------|
| Financial year to | 31 Mar 2021 | 31 Mar 2020 |
| | 19% | 19% |

Where a close company controlled by five or fewer shareholders (participators) makes a loan to one of those persons, the rate of tax payable to HMRC will be 32.5% of the amount. This is usually not payable if the loan is repaid within nine months of the year end.

VALUE ADDED TAX

Standard rate

20.0%

Registration limit

from 1 April 2020: £85,000 pa (prev. £85,000).

Deregistration limit

from 1 April 2020: £83,000 pa (prev. £83,000).

Cash accounting scheme

limit for new businesses to join the scheme £1.35 million - existing businesses in the scheme can stay in until turnover reaches £1.60 million.

Flat rate scheme

turnover limit - £150,000.

Car Fuel Scale Charge 2020/21

The scale charge is linked to the car's CO₂ emission factor. New rates are effective for VAT periods commencing on or after 1 May 2020.

REVENUE APPROVED MILEAGE RATES

For business travel in an employee owned car or van the following rates can be paid free of tax:

First 10,000 miles 45p per mile, excess 25p per mile

Each qualifying additional passenger 5p per mile

Motorcycle 24p; cycle 20p

Advisory fuel rates effective from 1 June 2020 (in a company owned vehicle)

| | | | | | | |
|--------|-----------|-----|-------------|-----|-------------|-----|
| DIESEL | to 1600cc | 9p | 1601-2000cc | 11p | Over 2000cc | 13p |
| PETROL | to 1400cc | 12p | 1401-2000cc | 14p | Over 2000cc | 20p |
| LPG | to 1400cc | 8p | 1401-2000cc | 10p | Over 2000cc | 14p |

These will be reviewed again on 1 September 2020.

CAR & VAN BENEFIT RATES 2020/21

The cash benefit of a car provided by an employer is a %, generally ranging between 9% and 37%, of its 'list price'. The % depends on the CO2 emissions and fuel used by the car. The taxable benefit for significant private use of a van is £3,490 (zero-emission vans £2,792) (2019/20 £3,430; zero-emission vans £2,058).

CAR & VAN FUEL SCALE RATES

The car fuel scale charge is £24,500 (2019/20 £24,100) x appropriate CO2 emission factor. The fuel scale change for a van with significant private use is £666 (2019/20 £655).

RESEARCH & DEVELOPMENT TAX RELIEF

ONLY COMPANIES

Year to 31 March 2021 (rates for the year ended 31 March 2020 are the same)

| | |
|--|--------|
| SME enhanced deduction scheme | 130.0% |
| SME cash credit for R & D loss surrendered | 14.5% |
| Large company R & D expenditure credit | 13.0% |

SOCIAL SECURITY BENEFITS

| | 2020/21 (£) | 2019/20 (£) |
|--|-------------|-------------|
| Basic Retirement Pension | 134.25 | 129.20 |
| Addition for wife or other adult dependant | 80.45 | 77.45 |
| New flat rate state pension | 175.20 | 168.60 |

SOME FUTURE TAX CHANGES

The main rate of corporation will be 19% from 1 April 2021.

100% FYA will only be available on zero-emission cars, 6% up to 50CO₂ and 18% over 50CO₂ emissions.

INDIVIDUAL SAVINGS ACCOUNTS (ISA'S)

Adults 6 Apr 2020 - 5 Apr 2021 £20,000

Junior ISA (under 18) 6 Apr 2020 - 5 Apr 2021 £9,000.

Lifetime ISA for investors aged between 18 and 40 up to £4,000 pa (but reduces ISA limit) and will have 25% added by the government.

Help to Buy ISA - existing holders only £200 per month (up until 30 November 2029).

CAPITAL ALLOWANCES

2020/2021 The main rates are:

Machinery and plant

| | |
|---|---------------------------|
| General pool | 18% red. balance |
| Special rate pool | 6% red. balance |
| Annual investment allowance (AIA) (including assets for leasing) | 100% on first £1,000,000* |

*Applies until 31 Dec 2020 when it reverts to £200,000 (also rate to 31 Dec 2018) – transitional rules will apply for chargeable periods spanning these dates.

The allowance is reduced where there is more than one related business or an accounting period of less than 12 months.

An 8 year short life asset election is available.

First Year Allowance (FYA) 100% on certain energy saving products and low emission cars (up to 50g/km).

Structures & buildings allowance: 3% straight line

(effective on qualifying expenditure from 29 Oct 2018) from 1 April 2020

Motor Cars

| | |
|---|------------------|
| CO ₂ emission factor 51g - 110g/km | 18% red. balance |
| CO ₂ emission factor > 110g/km | 6% red. balance |

NATIONAL INSURANCE CONTRIBUTIONS

2020/2021

Class 1 – **Employees** - Weekly Earnings

| | |
|-----------------------|-----|
| On first £120 | nil |
| Next £63 | 0% |
| On balance up to £962 | 12% |
| Excess over £962 | 2% |

Men and women over the respective point at which they would be entitled to draw state pension, do not pay employees' contributions. However, employers' contributions are still payable.

Class 1 – **Employers** - Weekly Earnings

| | |
|------------------|-------|
| On first £118 | nil |
| Next £51 | 0% |
| Excess over £962 | 13.8% |

£4,000 reduction in employers' class 1 NIC paid generally available to employers with a payroll bill of less than £100,000 employers NIC in 2020/21 - no employers' class 1 NIC if employee under 21 on earnings less than £962 per week (also for Apprentices under 25).

Apprenticeship levy of 0.5% applies where wage bill exceeds £3m. The allowance of £3m x 0.5% = £15,000 is split where companies are in a group or under common control.

Class 1A – Employers: 13.8% of the aggregate of most taxable benefits in kind such as car benefit, car fuel benefit, health care.

Class 1B – Employers: 13.8%.

Class 2 – Self-employed: Small profits threshold limit £6,475 (2019/20 £6,365)
 Flat rate £3.05pw. (2019/20 £3.00pw)

Class 3 – Voluntary contributions: Flat rate £15.30 pw. (2019/20 £15.00pw)

Class 4 – Self-employed: 9% of annual profits between £9,500 and £50,000 pa. - 2% on excess over £50,000 (2019/20 - 9% between £8,863 and £50,000 - 2% on excess over £50,000)

STAMP TAXES

| 2020/2021 | Rate |
|--|-------------|
| Shares - stamp duty reserve tax (SDRT) - standard rate | 0.5% |
| Shares - stamp duty - standard rate ++ | 0.5% |
| Higher rate | 1.5% |

++ consideration under £1,000 no charge, above rounded up to the nearest £5.

From 1 April 2020 (excludes Scotland and Wales)

| | |
|--|-------|
| Land- stamp duty land tax (SDLT) residential | |
| less than £125,000 | 0% |
| next £125,001-£250,000 | 2.0% |
| next £250,001-£925,000 | 5.0% |
| next £925,001-£1,500,000 | 10.0% |
| £1,500,001 and over | 12.0% |
| (15.0% for certain non-natural persons) | |

For the first time buyers, stamp duty is abolished in England and Northern Ireland on purchases up to £300,000 and charged 5% on balances up to £500,000. Above £500,000 the existing bands will apply.

If a second residential property is purchased, an additional 3% stamp duty will be charged on any property over £40,000 with no exemption for the first £40,000.

For new residential leases the rate of SDLT is 1 % of the net present value of rental stream after deducting first £125,000. (nil in Wales and generally exempt in Scotland)

The annual tax on enveloped dwellings (ATED) is levied on certain non-natural persons holding residential property valued at over £500,000.

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