Income tax and personal savings

The Chancellor announced the following income tax rates and allowances.

Income tax rates and bands

2020/21		2019/20	
Band £	**Rate %**	**Band £**	**Rate %**
0 - 37,500	20	0 - 37,500	20
37,501 - 150,000	40	37,501 - 150,000	40
Over 150,000	45	Over 150,000	45

Income tax rates in Scotland and Wales on income other than savings and dividend income have been devolved.

Savings income

	2020/21	2019/20
Savings allowance basic rate	£1,000	£1,000
Savings allowance higher rate	£500	£500

A starting rate for savings band of £5,000 at 0% may be available unless taxable non-savings income exceeds the starting rate band.

Dividend income

	2020/21	**2019/20**
Dividend allowance	£2,000	£2,000
Dividend ordinary rate	7.5%	7.5%

Dividend upper rate	32.5%	32.5%
Dividend additional rate	38.1%	38.1%

Personal allowances

	2020/21	2019/20
Personal allowance	£12,500	£12,500
Personal allowance income limit	£100,000	£100,000
Marriage allowance Transferable between certain spouses where neither pay tax above the basic rate	£1,250	£1,250
Married couple's allowance (relief given at 10%) Either partner born before 6 April 1935	£9,075	£8,915
• minimum amount	£3,510	£3,450
• income limit	£30,200	£29,600
Blind person's allowance	£2,500	£2,450

Scottish income tax rates and bands

Savings and dividend income are taxed using UK rates and bands.

2020/21		2019/20	
Band £	**Rate %**	**Band £**	**Rate %**
0 - 2,085	19	0 - 2,049	19
2,086 - 12,658	20	2,050 - 12,444	20
12,659 - 30,930	21	12,445 - 30,930	21
30,931 - 150,000	41	30,931 - 150,000	41
Over 150,000	46	Over 150,000	46

Welsh income tax rates

Although income tax for Wales has been devolved, Welsh resident taxpayers continue to pay the same overall rates as taxpayers in England and Northern Ireland.

Employment taxes

National Insurance thresholds

The government has recently announced National Insurance thresholds for 2020/21. Most thresholds will rise with inflation. Two thresholds, however, will rise by 10% from £8,632 to £9,500:

- the primary threshold - which sets the level at which employees start to pay Class 1 National Insurance contributions (NICs)
- the lower profits limit - which sets the level at which the self-employed start to pay Class 4 NICs.

The upper thresholds which apply to these two classes of NICs remain at £50,000.

Comment
The secondary threshold, which sets the level at which employers pay the main rate of NICs, only rises in line with inflation.

Off-payroll working in the private sector

The changes to the off-payroll working rules (commonly known as IR35), which came into effect in April 2017 for the public sector, will be extended to the private sector from April 2020. Draft legislation has been issued. The new rules apply to payments made for services provided on or after 6 April 2020.

The off-payroll working rules apply where an individual (the worker) provides their services through an intermediary (typically a personal service company) to another person or entity (the client). The client will be required to make a determination of a worker's status and communicate that determination. In addition, the fee-payer (usually the organisation paying the worker's personal service company) will need to make deductions for income tax and NICs and pay any employer NICs.

Only medium and large businesses will be subject to the 2020 rules, so small businesses will not need to determine the status of the off-payroll workers they engage. A small company is one which meets two of these criteria: its annual turnover is not more than £10.2 million: it has not more than £5.1 million on its balance sheet: it has 50 or fewer employees. For unincorporated organisations it is only the annual turnover test that applies.

Review

In January 2020, the government announced a review of the implementation of the April 2020 reform, to address concerns from affected businesses and individuals. The government has confirmed the changes will go ahead but:

- businesses will not have to pay penalties for errors relating to off-payroll working in the first year, except in cases of deliberate non-compliance

- there will be a legal obligation on clients to respond to a request for information about their size from the worker or the fee-payer.

Employer provided cars

The scale of charges for calculating the taxable benefit for an employee who has use of an employer provided car is computed by reference to bands of CO_2 emissions multiplied by the original list price of the vehicle. The maximum charge is capped at 37% of the list price of the car.

For 2019/20 the rates increased by 3% from the rates applying for 2018/19.

The government announced in Budget 2017 that CO_2 emissions for cars registered from April 2020 will be based on the Worldwide Harmonised Light Vehicles Test Procedure (WLTP). Draft legislation has been issued to amend the previously planned benefit percentages for 2020/21 through to 2022/23:

- All zero emission cars will attract a reduced percentage of 0% in 2020/21 and 1% in 2021/22, before returning to the planned 2% rate in 2022/23.
- For cars registered before 6 April 2020, the current test procedure will continue to apply and there are no further changes to percentages previously set for 2020/21. These rates will be frozen at the 2020/21 level for 2021/22 and 2022/23.
- For cars first registered from 6 April 2020 most rates will reduce by 2% in 2020/21 before returning to planned rates over the following two years, increasing by 1% in 2021/22 and 1% in 2022/23.

Comment
WLTP aims to be more representative of real world driving conditions, compared to the current test known as the New European Driving Cycle. The government estimates that reported CO_2 values may be on average about 20 – 25% higher under the WLTP testing standards compared to the current test.

Employment Allowance

The Employment Allowance provides businesses and charities with relief from their employer NICs bill. Regulations have been issued to restrict the Employment Allowance, from 6 April 2020, to those employers whose employer NICs bill was below £100,000 in the previous tax year. Employers who are connected to other employers (such as companies within a group) will need to add together all of their employer Class 1 NICs liabilities incurred in the tax year prior to the year of claim to determine eligibility.

The maximum Employment Allowance will be increased from £3,000 to £4,000 with effect from 6 April 2020.

From 6 April 2020 the Employment Allowance will operate as de minimis State aid. This means it will count towards the total aid a business is entitled to under the relevant de minimis State aid cap.

Comment
De minimis State aid rules apply if a business engages in economic activity, providing goods or services to the market. Most businesses will not have received de minimis State aid before so will not need to do further checks to determine if they are eligible for the Employment Allowance.

Loan Charge review

The Loan Charge tackles disguised remuneration tax avoidance schemes. These are tax arrangements that seek to avoid income tax and NICs by paying income to individuals in the form of loans, usually via an offshore trust, with no expectation that the loans will ever be repaid. The charge applies to any loans made through disguised remuneration schemes after 6 April 1999, which had not been repaid by 5 April 2019.

Draft legislation has been issued to amend the scope of the Loan Charge:

- It will now only apply to outstanding balances of disguised remuneration loans made between 9 December 2010 and 5 April 2019 inclusive.
- It will not apply to loans made in tax years before 2016/17 where a reasonable disclosure of the use of a disguised remuneration tax avoidance scheme was made within the relevant tax return or associated documents where appropriate, and HMRC failed to take any action (for example by opening an enquiry).
- Those affected by the Loan Charge will be able to elect to split their loan balance over three consecutive years 2018/19 to 2020/21 (rather than the full charge arising in 2018/19).
- The date by which the additional information form must be returned to HMRC will move from 1 October 2019 to 1 October 2020. The form requires taxpayers to provide full information to HMRC relating to any outstanding disguised remuneration loans for which they will need to make tax payments.

National insurance

2020/21 Class 1 (employed) rates

Employee		Employer	
Earnings per week	%	**Earnings per week**	%
Up to £183	0	Up to £169	0
£183.01 - £962	12	Over £169	13.8
Over £962	2		

Entitlement to contribution-based benefits for employees retained for earnings between £120 and £183 per week.
The employer rate is 0% for employees under 21 and apprentices under 25 on earnings up to £962 per week.

Class 1A (employers)	On employee taxable benefits	13.8%
Class 1B (employers)	On PAYE Settlement Agreements	13.8%
Class 2 (self-employed)	Flat rate per week	£3.05
	Small profits threshold	£6,475 per annum
Class 3 (voluntary)	Flat rate per week	£15.30
Class 4 (self-employed)	On profits between £9,500 - £50,000	9%
	Excess over £50,000	2%

Minimum wage

Increases in the National Minimum Wage and National Living Wage rates now occur in April each year.

Age	NLW	21 - 24	18 - 20	16 and 17	Apprentices
From 1 April 2019	£8.21	£7.70	£6.15	£4.35	£3.90
From 1 April 2020	£8.72	£8.20	£6.45	£4.55	£4.15

Apprentice rates apply to those under 19, or 19 or over and in the first year of their apprenticeship. National Living Wage applies to those aged 25 and over.

Tax and Travel

Mileage rates

Changes to the HMRC business mileage rates are announced from time to time. The fuel only advisory rates below relate to company cars only and apply from 1 March 2020.

Car – fuel only advisory rates Engine capacity	Petrol	Diesel	LPG
1400cc or less	12p	9p	8p
1401cc to 1600cc	14p	9p	10p
1601cc to 2000cc	14p	11p	10p
Over 2000cc	20p	13p	14p

For those using their own vehicle the following mileage allowance payments apply.

Vehicle	First 10,000 miles	Thereafter
Car/van	45p	25p
Motorcycle	24p	24p
Bicycle	20p	20p

Car benefits

2020/21	Cars registered pre 6.4.20	Cars registered after 5.4.20
CO_2 emissions (g/km)	% of list price taxed	% of list price taxed
0	0	0
1-50 Electric range		
>130	2	0

70-129	5	3
40-69	8	6
30-39	12	10
<30	14	12
51-54	15	13
For every extra 5	+1	+1
160 and above	37	n/a
170 and above	n/a	37
For fully diesel cars generally add a 4% supplement (unless the car is registered on or after 1 September 2017 and meets the Euro 6d emissions standard) but the maximum is still 37%. For emissions over 75g/km if the CO_2 figure does not end in a 5 or a 0 round down to the nearest 5 or 0.		

Business tax

Corporation tax rates

Corporation tax rates have already been enacted for periods up to 31 March 2021.

The main rate of corporation tax is 19%. The rate for the Financial Year beginning on 1 April 2020 was due to fall to 17% but the Chancellor has announced the rate will remain at 19%.

Capital Allowances: Structures and Buildings Allowance

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

Enhanced Capital Allowances in Enterprise Zones

The government has announced the 100% first year allowance for investment in new plant and machinery within designated assisted areas within Enterprise Zones will remain available for expenditure incurred in relation to all areas, whenever designated, until at least 31 March 2021.

First year allowances for business cars from April 2021

The government has announced an extension to 100% first year allowances for zero-emission cars, zero-emission goods vehicles and equipment for gas refuelling stations by four years from April 2021. CO2 emission thresholds will also be amended from April 2021. These determine the rate of capital allowances available through which the capital expenditure for business cars can be written down. The thresholds will be reduced from 50g/km to 0g/km for the purpose of the first year allowances for low CO2 emission cars and from 110g/km to 50g/km for the purpose of WDAs for business cars.

Comment
The reduction in thresholds will mean that only business cars acquired with CO2 emissions of 0g/km will be eligible for first year allowances. Ultra-low emission vehicles which currently qualify for first year allowances if 50g/km or less will no longer qualify. They will be eligible for WDAs at the main rate (18%). Cars with CO2 emissions exceeding 50g/km will be eligible for WDAs at the special rate (6%).