

A guide to Budget 2020

A SIMPLE GUIDE TO THE BUDGET 2020

This is a basic guide, prepared by ACCA's Technical Advisory team, for members and their colleagues or clients. It's an introduction only and should not be used as a definitive guide, since individual circumstances may vary. Specific advice should be obtained, where necessary.

The message from the Chancellor was that this is a budget that shows 'the government gets things done.'

You can read the individual measures and details of some of the numerous consultations below.

Rates and allowances

	2019/20	2020/2021
	£	£
Income tax rates - (non-dividend income)		
0% lower rate tax - savings rate only	Up to 5,000	Up to 5,000
20% basic rate tax	12,501 to 50,000	12,501 to 50,000
40% higher rate tax	50,001 to 150,000	50,001 to 150,000
45% additional rate tax	Above 150,000	Above 150,000
Scottish Income tax rates - (non-dividend income)		
19% starting rate tax	12,501 to 14,549	12,501 to 14,585
20% basic rate tax	14,550 to 24,944	14,586 to 25,158
21% intermediate rate tax	29,945 to 43,430	25,159 to 43,430
41% higher rate tax	43,431 to 150,000	43,431 to 150,000
46% top rate	Above 150,000	Above 150,000
Personal allowance		
Personal allowance	12,500	12,500

Dividend allowance

The tax-free dividend allowance is unchanged at £2,000.

Corporation tax

The corporation tax rate will remain at 19%.

Annual investment allowance

Companies will be able to claim £1m as AIA for expenditure incurred from 1 January 2019 to 31 December 2020. No announcement was made on extending the date and if unchanged, it will fall to £200,000.

Structure and Building allowance

The relief was increased to 3% and will be available for expenditure on non-residential buildings, for which construction contracts are entered into after 29 October 2018. The increase will take effect from 1 April 2020 for corporation tax and 6 April 2020 for income tax with transitional rules applying.

Making tax digital

There were no announcements on MTD except that the government will publish an evaluation on the introduction of MTD for Vat.

VAT

	2019/20	2020/21
	£	£
VAT		
Standard rate	20%	20%
Registration threshold	85,000	85,000
Deregistration threshold	83,000	83,000

VAT thresholds remain unchanged.

Entrepreneurs' Relief

The lifetime limit on gains eligible for Entrepreneurs' Relief has been reduced from £10 million to £1 million for qualifying disposals made on or after 11 March 2020.

IR35

The chancellor has pushed ahead with the IR35 changes due to impact businesses from April 2020. All businesses will need to review the Finance Bill, which will contain the rules to be implemented and explanatory notes.

Employment allowance reform

The allowance was increased to £4,000 but is no longer universal with several conditions applying. Including that from April 2020, this will be limited to employers with an employer NICs bill below £100,000 in the previous tax year.

SSP

Small and medium-sized businesses and employers to cope with the extra costs of paying COVID-19 related SSP will be refunded for eligible SSP costs.

Increasing the flat rate tax deduction for home working

From April 2020 the maximum flat rate Income Tax deduction available to employees to cover additional household expenses has been increased from £4 to £6 per week where they work at home under homeworking arrangements.

Time to pay

HMRC has a set up a phone helpline 0800 0159 559 to support businesses and self-employed people concerned about not being able to pay their tax due to coronavirus (COVID-19).

Compliance

HMRC have been given the budget to increase compliance and investigation team headcounts by 1,300, with an expectation that they will raise an additional £4.5bn in tax by 2025, including measures such as a crackdown on taxi firms and scrap metal dealers operating in the grey economy and CIS scheme irregularities.

Pension changes

From 6 April 2020, the adjusted income limit will rise to £240,000 (increased from £150,000) and the threshold income limit will rise to £200,000 (increased from £110,000).

For higher earners the government also reduced the minimum reduced annual allowance that you can have under the tapering rules from £10,000 to £4,000.

Business rates

From April 2020 the 50% Retail Rates Relief announced earlier this year is increased to 100% from April 2020. This relief will be extended to include retail, leisure and hospitality sectors, meaning a full relief for those with a rateable value under £51,000 in these sectors. Additionally, small businesses that qualify for 100% Small Business Rate Relief will be eligible for Small Business Grant Funding of £3000 via local authorities. From April 1 2020 a one year business rates discount of £5000 will be available for pubs with a rateable value below £100,000.

Apprenticeships

SMEs should register on the [apprenticeship employer hub](#) before the end of the month to benefit from Apprenticeship levy funding. You can find out more about ACCA Apprenticeship Programmes [here](#).

R&D

Research & Development Expenditure Credit (RDEC) rate increases from 12% to 13% from 1 April 2020. The changes to the PAYE cap on the payable tax credit in the SME R&D schemes has been delayed until April 2021.

IHT

The Nil-rate band remains at £325,000. The residence nil-rate band for deaths in the following tax years are:

- £100,000 in 2017 to 2018
- £125,000 in 2018 to 2019
- £150,000 in 2019 to 2020
- £175,000 in 2020 to 2021

Interest relief for landlords

Landlords will be able to obtain relief as follows:

	Finance cost allowed in full	Finance cost allowed at basic rate
Year to 5 April 2020	25%	75%
Year to 5 April 2021	0%	100%

Phoenix and insolvent companies

The government pushed back the change the rules when a business enters insolvency HMRC will be a preferential creditor to 1 December 2020.

ATED

The ATED charges increase automatically each year in line with inflation (based on the previous September's CPI).

	2019/20		2020/2021
	£		£
Annual Tax on Enveloped Dwellings (ATED)			
More than £0.5m but not more than £1m	3,650		3,700
More than £1m but not more than £2m	7,400		7,500
More than £2m but not more than £5m	24,800		25,200
More than £5m but not more than £10m	57,900		59,850
More than £10m but not more than £20m	116,100		118,050
More than £20m	232,350		236,250

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