

Spring Budget 2020

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Rishi Sunak faced a difficult task producing a budget only four weeks after taking on the role of Chancellor and against the backdrop of the global outbreak of Covid-19.

The new Chancellor's budget presentation took on a different style to his predecessors and very little was mentioned about the country's debt position. There was only a passing comment that the Office for Budget Responsibility (OBR) were forecasting a budget surplus from next year, but as the forecasts do not reflect the now global spread of Covid-19 the scale of the downside risk to the forecast is highly uncertain.

Covid-19 Temporary Support

The first half of the Chancellor's speech focused on a raft of support measures that would be introduced to support public services, individuals and businesses through the impact of Covid-19.

The announcement by the Bank of England earlier in the day to cut interest rates from 0.75% to 0.25% was the start of an emergency response to the current situation.

The Chancellor announced that the NHS will be given 'whatever it needs' to deal with the outbreak and a £5billion response fund will be provided to ensure the NHS and other public services receive the funding required to respond to the outbreak.

Statutory Sick Pay (SSP) in connection with Covid-19 cases, including employees who self-isolate even where they don't have symptoms, will be paid from day 1.

For employers with fewer than 250 employees, the government will fully meet the cost of providing SSP in such cases for 14 days. For the self-employed or those in the gig economy a £500m welfare boost and a new £500m hardship fund will be available.

The Chancellor also announced extended Business Rates relief including a 100% relief for the coming year for certain sectors where their rateable value is below £51,000, plus a £3,000 cash grant for small

businesses where they already qualify for 100% rates relief.

A Coronavirus Business Interruption Loan scheme will be put in place to guarantee up to 80% of bank losses on loans provided to small businesses, hopefully resulting in banks being more willing to lend. For both businesses and individuals, HM Revenue & Customs will 'scale up' its Time to Pay service to allow extra time to pay tax bills.

Personal Taxation

The personal allowance and tax thresholds remain unchanged for 2020/21 with the personal allowance set at £12,500, the higher rate threshold at £50,000 and the additional rate threshold at £150,000.

The National Insurance Primary Threshold will increase to £9,500 from 6 April 2020.

The Individual Savings Account (ISA) investment limit remains at £20,000 for 2020/21 but the Junior ISA investment limit will increase from £4,368 to £9,000.

An unexpected announcement was the increase to the taper limit for pensions. The two tapered annual allowance thresholds will each be raised by £90,000 meaning that from 2020/21 tapering will only apply to individuals with income over £200,000. The pension annual allowance remains at £40,000 but the minimum level to which the annual allowance can be tapered will reduce from £10,000 to £4,000 from 6 April 2020. The lifetime allowance will increase for 2020/21 to £1,073,100.

Capital Gains Tax

The annual exempt amount will increase to £12,300 for individuals and personal representatives and to £6,150 for trustees of settlements for 2020/21.

The lifetime limit for Entrepreneurs' Relief was reduced from £10m to £1m from 11 March 2020. This was by no means unexpected and a better outcome than many were expecting.

As announced last year, the final period of ownership that will be covered by principal private residence relief, in relation to property, will reduce to nine months and lettings relief will be severely restricted from 6 April 2020. For disabled people or those in a care home the final period of residence for principal private residence relief will however continue to be 36 months.

Business Taxation

As stated in the government's election manifesto the rate of corporation tax will not reduce to 17% but will be maintained at 19%.

In an effort to support smaller employers the Employment Allowance will increase from £3,000 to £4,000 from 6 April 2020.

The Structures and buildings allowances rate will increase from 2% to 3% from 1 April 2020 for corporation tax and 6 April 2020 for income tax. No changes were made to the Annual Investment Allowance, which remains at £1,000,000 until 31 December 2020 and then falls to £200,000, or to the rate of writing down allowances which are 18% for the general pool and 6% on the special rate pool.

To help achieve the government's ambition for the UK to be in a world-leading position in science and technology the Research & Development Expenditure Credit rate will be increased from 12% to 13% from 1 April 2020 and the PAYE cap on the payable tax credit which was due to be introduced this year for small and medium-sized enterprises will be delayed until 1 April 2021.

The VAT registration threshold remains unchanged at £85,000. The two biggest announcements during the Chancellor's speech in relation to VAT were the zero rating of e-publications from 1 December 2020 to bring them in line with other written material and the zero rating of women's sanitary products from 1 January 2021.

The implementation of the domestic reverse charge for building and construction services continues to be delayed until 1 October 2020.

Fuel Duty and Alcohol Duty were both frozen for 2020/21.

Stamp Duty Land Tax

A 2% Stamp Duty Land Tax surcharge will be introduced for non-UK residents purchasing residential property in England and Northern Ireland from 1 April 2021.

A Greener Economy

The latter part of the Chancellor's speech focused on the UK's green credentials and its target of net zero emissions by 2050.

The use of clean energy is a vital part of reducing carbon emissions and a package of measures will be introduced to help reach the UK's targets.

A levy of £200 per tonne will be charged on plastic packaging that does not contain at least 30% recycled content from 1 April 2022.

The entitlement to use red diesel – which has a lower fuel duty rate than white diesel – will be withdrawn from all present uses except in agriculture, fish farming, the railway and for non-commercial heating systems.

By 2024/25 the Climate Change Levy will be the same for both gas and electricity.

First Year Allowances will be available on ultra-low emission vehicles from 1 April 2021 until 31 March 2025 and from 2021 business cars with emissions over 50g/km will only be eligible for allowances at 6%.

To end as we started

With Covid-19 now classified as a worldwide pandemic by the World Health Organisation it was perhaps no surprise that a large part of Rishi Sunak's first budget was focused on short term support packages to see us through these uncertain times.