



# *Budget update March 2020*

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## *Presenters*



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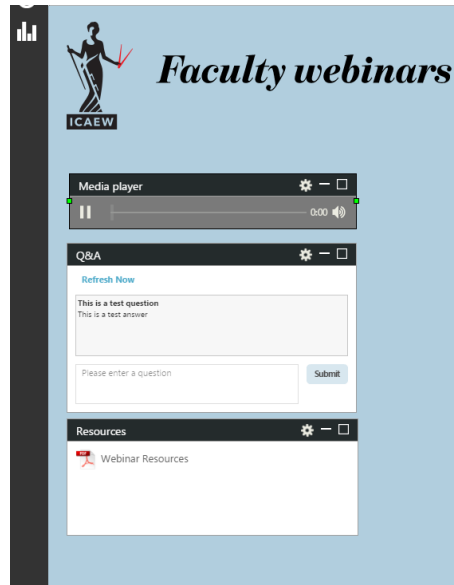
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## Contents

- Overview
- Business tax
- Personal tax
- VAT, duties and environmental taxes
- Tax avoidance, management and administration
- Consultations, calls for evidence and reviews
- Questions

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## *Overview*

- First Budget since 29 October 2018
- A new Chancellor
- A new landscape
- Covid 19 – rapid response measures
- Lots of consultations
- A further Budget in Autumn 2020
- The public finances

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## *The public finances*

- Total spending in 2020-21 forecast £928bn
- Total receipts in 2021-21 forecast at £873bn
- Budget deficit for 2020-21 forecast at £55bn
- £175bn of extra spending over the next 5 years
- The gross spending increase was over £200bn, reduced by tax receipts of about £27bn
- Split between current and capital spending is about 60:40
- UK debt forecast to exceed £2tr by 2024-25 – about £30k per person!

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## ***Covid-19 measures for business: cash flow***

- Coronavirus Business Interruption Loan Scheme
  - British Business Bank support for lenders
- Time to pay
  - Businesses and the self-employed
  - Dedicated Covid-19 helpline
- Employers' National insurance
  - Employment allowance increased to £4,000
  - From 6 April 2020 you will only be able to claim if your Class 1 National Insurance bill was below £100,000 in the previous tax year.
  - NI holiday for employers of veterans in the first year of civilian employment

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## ***Covid-19 measures for business: Business rates***

*'Businesses with a rateable value of less than £51,000 will be eligible for a one year holiday from business rates'*

- The measure applies to businesses including shops, cinemas, restaurants and hotels
  - Business Rates retail discount will be increased to 100% for one year
    - This will be expanded to the leisure and hospitality sectors
- The planned rates discount for pubs (RV of £100,000 or less) increased from £1,000 to £5,000 from 1 April 2020
  - Businesses eligible for the newly expanded retail discount and/or the new pubs discount may need to apply to their local authority to receive this discount
- Small business rate relief already gives full relief for businesses using a single property with a rateable value of £12,000 or less, but now in addition...
  - New small business grant funding of £3,000
  - Grants towards ongoing business costs for those already receiving SBRR or Rural Rate Relief
- Extension of the local newspaper discount
- A fundamental review of business rates will consider further reforms to the business rates system
  - To report in autumn 2020

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## ***CT rates and capital allowances***

- Corporation tax rate remains 19%
- Structures and Buildings Allowance
  - New non-residential structures and buildings costs incurred on or after 29 October 2018
  - Relief straight-line basis
    - 29/10/18 to 31/3/20 (5/4/20 for income tax) 2%
    - On or after 1 April 2020 (6/4/20 for income tax) 3%
  - Chargeable period spanning 1 or 6 April 2020 split pro rata
  - Eg year ended 31 December 2020, 91/366 x 2% and 275/366 x 3%
- On a change of ownership, the purchaser will continue to claim based on remaining life and original cost
- Future enhancement expenditure is also eligible, but SBA is calculated separately

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## ***Annual Investment Allowance***

- Temporary increase in the AIA for expenditure incurred between 1 January 2019 and 31 December 2020
  - Expenditure incurred pre 1 January 2019, max AIA £200,000
  - Expenditure incurred 1 January 2019 to 31 December 2020, max AIA £1,000,000
- No reference to extending this
  - One for the Autumn 2020 Budget?

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## ***Trap – period spanning 31 December 2020***

**X Ltd prepares accounts for the ye 31 March 2021** (the “second straddling period”)

1 April 2020 to 31 December 2020

275 days x £1,000,000 = £753,425

Period 1 January 2021 to 31 March 2021

90 days x £200,000 = £49,315

Total £802,740

- **But beware, as currently drafted**

- If all of the expenditure was occurred before 31 December 2020, the allowance would be £802,740
- The allowance available on expenditure after 1 January 2021 is restricted to £49,315

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## ***Large corporate tax***

- Digital Services Tax

- 2% on revenue derived from providing a social media platform/search engine/online marketplace
- From UK users
- Wef 1 April 2020
- The first £25m of revenue is exempt

- Corporate capital loss restriction

- Restriction to 50% of capital gains
- Wef 1 April 2020

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## ***Off-payroll working***

- No deferral to implementation
- New rules will go ahead as already announced from 6 April 2020
- Affect payments made after 5 April 2020 for work done after that date
  - Contracts by workers using personal service companies with public sector or large/medium sized clients in the private sector
  - Client decides status
  - New status determination statement process
  - New appeals process where worker/payer disagrees with status
- See Tax Faculty webinar 23 March 2020

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## ***Corporation tax on non-resident property companies***

- Applies to
  - Non-resident companies
  - Carrying on a UK property business, or other UK property income
  - Wef 6 April 2020
- Such companies will pay corporation tax instead of income tax from April 2020
- Will be eligible for tax relief for pre-trading financing costs
- Will be subject to the same time limits and elections as UK resident companies

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## ***COVID-19 measures for individuals***

- Statutory sick pay (SSP)
  - Eligibility from day 1
  - Medical evidence from NHS111 rather than GP
  - SSP refunds for qualifying employers
- Support for those that don't qualify for SSP
  - Contributory employment and support Allowance from day 1
  - Universal credit claims and advances without visiting a jobcentre
  - Minimum income floor temporarily relaxed

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## ***Rates and allowances: unchanged for 2020/21***

- Personal allowance £12,500
- Higher rate threshold £50,000
- Additional rate threshold £150,000
- Personal saving allowance £1,000, £500 or nil
- Dividend allowance £2,000
- Income tax, national insurance and CGT rates
- Starting rate limit for savings
- ISA investments £20,000

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## ***Rates and allowances: changes for 2020/21***

- Home working deduction £6pw (was £4)
- Junior ISAs and Child Trust Funds £9,500pa (was £4,368)
- CGT annual exemption £12,300 (was £12,000)
- 2% non-resident residential property buyers SDLT surcharge
- Working age benefits uprated by 1.7% - main JSA rate £75.35pw (was £73.10)
- State pension uprated by 3.7% - full rate new state pension £175.20pw (was £168.60)

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## ***National insurance***

- National insurance thresholds increased:
  - Class 1 lower earnings limit £120pw (up from £118pw)
  - Class 1 primary threshold £183pw (up from £166pw)
  - Class 1 secondary threshold £169pw (up from £166pw)
  - Class 2 rate £3.05pw (up from £3pw)
  - Class 2 small profits threshold £6,475 (up from £6,365)
  - Class 4 lower profits limit £9,500pa (up from £8,632)
- Class 1 upper earnings limit and Class 4 upper profits limit remain at £50,000
- Worth £104pa to most employees, £75pa to self-employed

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## *Company cars*

- Most company cars registered from 6 April 2020 benefit from 2% reduction in appropriate percentage
- Percentage will increase by 1% in 2021/22 and again in 2022/23
- Zero emission vans – nil benefit rate from 6 April 2020
- Fuel benefit and van benefit charges uprated by CPI

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## *Pensions*

- Pensions lifetime allowance 2020/21 £1,073,100 (was £1,055,000)
- Higher and additional rate relief retained
- Tapered annual allowance threshold income and adjusted income increased
  - Threshold income £200,000 (was £110,000)
  - Adjusted income £240,000 (was £150,000)
- Annual contribution remains at £40,000 but tapers to £4,000 (was £10,000)
- Call for evidence and a review of net pay arrangement schemes

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## *Capital gains tax*

- CGT 30 day reporting and payment – no delay
- Private residence relief changes confirmed for 2020/21
  - Final period exemption reduction from 18 to 9 months
  - Lettings relief only available where occupancy is shared
- Tax Faculty webinar on 17 March will have full details

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## *Top slicing relief*

- Silver v Revenue & Customs [2019] [TC/2019/1743](#)
- Use of allowances and reliefs in life assurance policy gains top slicing relief calculations
- Finance Bill 2020 will legislate to put calculation beyond doubt

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## ***VAT***

- Zero-rating of e-publications from 1 December 2020
  - E-books
  - E-newspapers
  - E-magazines
  - Academic e-journals
  - There will be a consultation on the legislation ahead of implementation
- Postponed accounting from 1 January 2021
  - Will apply to all imports, including from the EU
  - Account for VAT on the VAT return
- Consultation on tax and duty free post transition period

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## ***Duties***

- Alcohol duties frozen pending review
  - Call for evidence on reform in the Summer
  - Any changes would be implemented after 1 January 2021
- Fuel duty remains frozen
- Red diesel rate to be partially phased out from April 2022
  - but not for
    - Agriculture
    - Rail
    - Non-commercial (ie domestic) heating
- Call for evidence on how Vehicle Excise Duty can support take-up of zero and ultra low emission vehicles

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## ***Environmental Taxes***

- Plastic Packaging Tax
  - Will apply from April 2022
  - £200 per tonne that contains less than 30% recycled plastic
  - 10 tonne de minimis
- Increasing the Climate Change Levy rates on gas to bring them into line with electricity by 2023-24
- LPG rates will be frozen over this period

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## ***Tackling Tax Avoidance etc.***

- Extra investment in HMRC
  - forecast to bring in £4.4bn from additional tax revenue
- CIS abuse
- VAT reverse charge on construction services from 1 October 2020
- Conditionality – what is it?
  - from April 2022 licence renewal will require confirmation of tax registration
- Tackling promoters of tax avoidance
  - Range of measures in Finance Bill
  - New promoter strategy
- Raising standards in the tax advice market
- Protecting taxes in insolvency
- Economic Crime Levy

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## ***Tax Administration***

- Large businesses – from April 2021 need to notify HMRC of tax position likely to be challenged
- Clarify that LLPs are subject to the Taxes Management Act 1970
- MTD – Government will publish an evaluation
- Automated notices
  - HMRC v Rogers & Shaw released on 30 December 2019
  - Decision that notice did not have to be issued by a 'real' officer
  - But HMRC had announced a change to the law to put the position beyond doubt
  - Applies to notices to file and penalties
  - Prospective and retrospective
- Investment in HMRC for 'breathing space'
  - From early 2021 - 60 day period to engage with debt advice and identify sustainable solution

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## ***Consultations announced at Budget 2020***

- Plastic Packaging Tax
- Carbon Emissions Tax operation
- National Insurance holiday for employers of veterans
- R&D tax credit qualifying costs
- Corporation tax rules that apply to hybrid mismatch arrangements
- Tax impact of the withdrawal of the London Interbank Offered Rate (LIBOR)
- Red diesel: entitlement
- Duty-free and tax-free goods carried by passengers
- Tax treatment of asset holding companies in alternative fund structures
- Tackling Construction Industry Scheme (CIS) abuse
- Penalties to tackle tobacco tax evasion
- Large business notification of tax positions
- Insurance Premium Tax

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## ***Calls for evidence announced at Budget 2020***

- Vehicle Excise Duty
- Pension tax administration – Net Pay Arrangements
- Alcohol duty review
- Raising standards in the tax advice market

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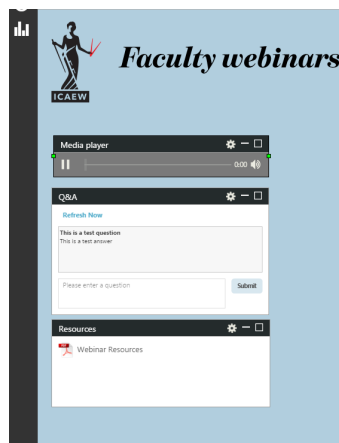
## ***Other reviews***

- Discussion document on tax conditionality
- Zero rate e-publications draft legislation
- Evaluation of implementation of Making Tax Digital and related research

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## *Future webinars*

- Tax Faculty webinars
  - 17 March 2020 – CGT changes and property
  - 23 March 2020 – Off-Payroll working update
  - 11 May 2020 – Employment taxes update

For further details visit [www.icaew.com/taxfacevents](http://www.icaew.com/taxfacevents)

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