



Budget update March 2020

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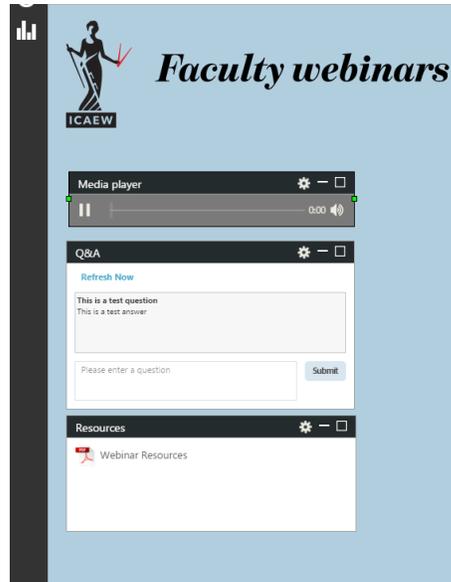
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- Overview
- Business tax
- Personal tax
- VAT, duties and environmental taxes
- Tax avoidance, management and administration
- Consultations, calls for evidence and reviews
- Questions

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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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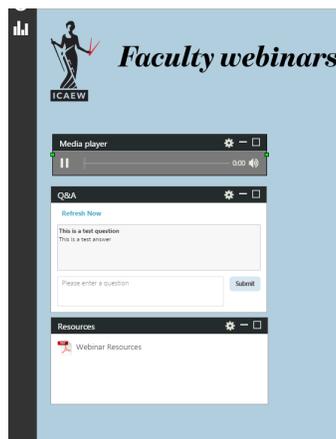
Other reviews

- 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

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Thank you for attending



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