

## Budget 2020: tax rates and allowances

|   | 2019/20        | 2020/21        |
|---|----------------|----------------|
|   | £              | £              |
| <b>Income tax rates: England and Wales only (non-dividend income)</b>                                       |                |                |
| 0% starting rate for savings only (note 1)  | Up to 5,000    | Up to 5,000    |
| 20% basic rate tax  | 12,501-50,000  | 12,501-50,000  |
| 40% higher rate tax   | 50,001-150,000 | 50,001-150,000 |
| 45% additional rate tax   | Above 150,000  | Above 150,000  |
| <b>Scottish rates of income tax (non-dividend income)</b>   |                |                |
| 19% starting rate   | 12,501-14,549  | 12,501-14,585  |
| 20% basic rate tax  | 14,550-24,944  | 14,586-25,158  |
| 21% intermediate rate tax   | 24,945-43,430  | 25,159-43,430  |
| 41% higher rate tax   | 43,431-150,000 | 43,431-150,000 |
| 46% top rate  | Above 150,000  | Above 150,000  |
| <i>Note 1: Scottish taxpayers pay the same tax as the rest of the UK on dividends and savings interest.</i> |                |                |
|   | 2019/20        | 2020/21        |
| <b>Income tax rates (dividend income)</b>   |                |                |
| Dividend allowance  | £2,000         | £2,000         |
| Dividend ordinary rate (for dividends within basic rate band)   | 7.50%          | 7.50%          |
| Dividend upper rate (for dividends within higher rate band)   | 32.50%         | 32.50%         |
| Dividend additional rate (for dividends above higher rate band)   | 38.10%         | 38.10%         |
| <b>Child benefit/guardian's allowance rates</b>   |                |                |
| Higher rate (eldest or only child) (per week)   | £20.70         | £21.05         |

|   |                             |                             |
|---|-----------------------------|-----------------------------|
| Other children  | £13.70                      | £13.95                      |
| Guardian's allowance per week   | £17.60                      | £17.90                      |
| <p>1 An income tax charge will apply to taxpayers with 'adjusted net income' exceeding £50,000 in a tax year, when child benefit is also received by them or their partner. The charge will reduce the financial benefit of receiving child benefit for those with income between £50,000 and £60,000 and remove it completely for taxpayers with income above £60,000.</p> <p>2 From January 2021, no child benefit payments are made in respect of children living overseas. This will apply to EEA migrants arriving in the UK under the new immigration system.</p> |                             |                             |
| <b>Personal allowances</b>  | <b>£</b>                    | <b>£</b>                    |
| Personal allowance (note 1)   | 12,500                      | 12,500                      |
| Dividend allowance  | 2,000                       | 2,000                       |
| Maximum married couple's allowance for those born before 6 April 1935 (note 2)  | 8,915                       | 8,915                       |
| Married couple's allowance – minimum amount   | 3,450                       | 3,450                       |
| Micro entrepreneur's allowance: individuals making property or trading incomes below the level of the allowance will no longer need to declare or pay tax, while those whose income exceeds the allowance have the choice of simply deducting the allowance instead of calculating their exact expenses or calculating their profits in the normal manner   | Allowance:<br>1,000<br>each | Allowance:<br>1,000<br>each |
| Income limit (note 3)   | 100,000                     | 100,000                     |
| Income limit for married couple's allowance: born before 6 April 1935   | 29,600                      | 29,600                      |
| Blind person's allowance  | 2,450                       | 2,450                       |
| Rent-a-room relief  | 7,500                       | 7,500                       |
| Transferable/shareable tax allowance for married couples and civil partners (note 4)  | 1,250                       | 1,250                       |
|   | <b>2019/20</b>              | <b>2020/21</b>              |
|   | <b>£</b>                    | <b>£</b>                    |
| Personal savings allowance for basic rate taxpayers (note 5)  | 1,000                       | 1,000                       |
| Personal savings allowance for higher rate taxpayers  | 500                         | 500                         |
| Personal savings allowance for additional rate taxpayers  | 0                           | 0                           |
| <p>Note 1: From 2016/17 onwards, all individuals are entitled to the same personal allowance, regardless of the individual's date of birth. This allowance is subject to the £100,000 income limit which applies regardless of the individual's date of birth.</p>  |                             |                             |

Note 2: This allowance is reduced by £1 for every £2 of income in excess of the income limit, but married couple's allowance will not reduce below £3,450.

Note 3: Personal allowances are subject to the £100,000 income limit, which applies regardless of the individual's date of birth. The individual's personal allowance is reduced where their income is above this limit. The allowance is reduced by £1 for every £2 above the limit, down to zero.

Note 4: This allowance is available to married couples and civil partners who are not in receipt of married couple's allowance. A spouse or civil partner who is not liable to income tax, or not liable at the higher or additional rates, can transfer this amount of their unused personal allowance to their spouse or civil partner. The recipient must not be liable to income tax at the higher or additional rates.

If the couple marry or register a civil partnership, they will get the allowance on a pro-rata basis for the rest of that tax year. If one of them dies or there is a divorce or separation, the allowance continues until the end of the tax year.

| <b>National insurance</b>  |                |                |
|--|----------------|----------------|
| Lower earnings limit, primary class 1 (per week)                                   | £118           | £120           |
| Upper earnings limit, primary class 1 (per week)                                   | £962           | £962           |
| Apprentice upper secondary threshold (AUST) for under 21s/25s                      | £962           | £962           |
| Primary threshold (per week)   | £166           | £183           |
| Secondary threshold (per week)   | £166           | £169           |
| Employment allowance (per year/employer) (note 1)                                  | £3,000         | £4,000         |
| Employee's primary class 1 rate between primary threshold and upper earnings limit | 12%            | 12%            |
| Employee's primary class 1 rate above upper earnings limit                         | 2%             | 2%             |
| Married woman's reduced rate between primary threshold and upper earnings limit    | 5.85%          | 5.85%          |
| Married woman's rate above upper earnings limit                                    | 2.00%          | 2.00%          |
| Employer's secondary class 1 rate above secondary threshold                        | 13.80%         | 13.80%         |
|  | <b>2019/20</b> | <b>2020/21</b> |
| Class 2 rate (per week where profits are above small profits threshold)            | £3.00          | £3.05          |
| Class 2 small profits threshold (per year)   | £6,365         | £6,475         |
| Special class 2 rate for share fishermen (per week)                                | £3.65          | £3.70          |
| Special class 2 rate for volunteer development workers                             | £5.90          | £6.00          |
| Class 3 voluntary rate (per week)  | £15.00         | £15.30         |

|  |         |         |
|--|---------|---------|
| Class 4 lower profits limit                                      | £8,632  | £9,500  |
| Class 4 upper profits limit                                      | £50,000 | £50,000 |
| Class 4 rate between lower profits limit and upper profits limit | 9.00%   | 9.00%   |
| Class 4 rate above upper profits limit                           | 2.00%   | 2.00%   |

Note 1:

- a) From April 2020, this will be limited to employers with an employer NIC bill below £100,000 in the previous tax year.
- b) Any deemed payments made to off-payroll workers do not count towards the £100,000 employers (secondary) class 1 NICs total. You cannot claim employment allowance for these workers.
- c) Employment allowance cannot be claimed for off-payroll workers.

| <b>Pensions</b>                          | <b>£</b>  | <b>£</b>  |
|--|-----------|-----------|
| Annual allowance (note 1)                | 40,000    | 40,000    |
| Lifetime allowance                       | 1,055,000 | 1,073,100 |
| Money purchase annual allowance (note 2) | 4,000     | 4,000     |

Note 1:

- a) The annual allowance is a limit to the total amount of contributions that can be paid to [defined contribution](#) pension schemes and the total amount of benefits that you can build up in [defined benefit](#) pension scheme each year, for tax relief purposes.
- b) From 2016/17 the annual allowance for those earning above the threshold income of £110,000 and £150,000 adjusted income is to be reduced on a tapering basis by £1 for every £2 of income, subject to a minimum allowance of £10,000. From 2020/21 the threshold income will be £200,000, so individuals with income below this level will not be affected by the tapered annual allowance, and the annual allowance will only begin to taper down for individuals who also have an adjusted income above £240,000.
- c) From April 2020, the annual allowance for individuals with total income (including pension accrual) of over £300,000 will reduce from £10,000 to £4,000.

Note 2: The annual allowance is currently capped at £40,000, although a lower limit of £4,000 may apply if you have already started drawing a pension.

|  | <b>2019/20</b> | <b>2020/21</b> |
|--|----------------|----------------|
| <b>Reliefs and incentives</b>  |                |                |
| Enterprise Investment Scheme (EIS) – maximum (note 1)  | £1,000,000     | £1,000,000     |
| Venture Capital Trust (VCT) – maximum  | £200,000       | £200,000       |
| Enterprise Management Incentive Scheme (EMI) – employee limit up to the value of £250,000 in a three-year period | £250,000       | £250,000       |
| Seed Enterprise Investment Scheme (SEIS) – maximum (note 2)  | £100,000       | £100,000       |

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| Social Investment Tax Relief (SITR) – maximum  | £1,000,000     | £1,000,000     |
| Income tax relief on EIS schemes   | 30%            | 30%            |
| Income tax relief on VCT schemes   | 30%            | 30%            |
| Income tax relief on SEIS schemes  | 50%            | 50%            |
| Income tax relief on SITR schemes  | 30%            | 30%            |
| <i>Note 1: From 6 April 2018, the annual limit is doubled to £2m, provided that any amount over £1m is invested in one or more knowledge-intensive companies.</i>  |                |                |
| <i>Note 2: Capital gains tax reinvestment relief may also be available for investments made in 2018/19 on 50% of the amount invested.</i>  |                |                |
| <b>Individual Savings Account (ISA):</b>   | <b>£</b>       | <b>£</b>       |
| ISA (NISA) annual limit  | 20,000         | 20,000         |
| Junior ISA investment annual limit – under 18, living in the UK  | 4,368          | 9,000          |
| Child Trust Fund annual limit  | 4,368          | 9,000          |
| Lifetime ISA annual limit (note 1)   | 4,000          | 4,000          |
| <i>Note 1: To open a Lifetime ISA you must be 18 or over but under 40. Contributions can be made until age 50. The government will add a 25% bonus to the savings, up to a maximum of £1,000 per year. The lifetime ISA limit of £4,000 counts towards the annual ISA limit.</i> |                |                |
| <b>Capital gains tax</b>   |                |                |
| <i>Rate</i>  |                |                |
| - basic rate tax payer   | 10%            | 10%            |
| - higher rate tax payer  | 20%            | 20%            |
| <i>Gain on sale of residential property</i>  |                |                |
| - basic rate tax payer   | 18%            | 18%            |
| - higher rate tax payer  | 28%            | 28%            |
|  | <b>2019/20</b> | <b>2020/21</b> |
| Annual exemptions – individuals (per year)   | £12,000        | £12,300        |
| Certain trusts for disabled persons (per year)   | £12,000        | £12,300        |
| Other trusts (per year)  | £6,000         | £6,150         |
| Entrepreneurs' Relief lifetime limit (note 1)  | £10,000,000    | £1,000,000     |
| Investors' Relief lifetime limit   | £10,000,000    | £10,000,000    |
| Entrepreneurs'/Investors' rate   | 10%            | 10%            |

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| Chattels exemption   | £6,000         | £6,000         |
| <i>Note 1: Entrepreneurs' Relief lifetime limit is reduced from £10m to £1m for disposals made on or after 11 March 2020.</i>  |                |                |
| <b>Inheritance tax</b>   |                |                |
| Single person's nil-rate band  | £1-£325,000    | £1-£325,000    |
| Single person's 40% band   | over £325,000  | over £325,000  |
| Residence nil-rate band (RNRB) – maximum (note 1)  | £150,000       | £175,000       |
| Reduced rate (note 2)  | 36%            | 36%            |
| IHT rate (for chargeable lifetime transfers)   | 20%            | 20%            |
| Married couples or civil partnerships allowance nil-rate band  | £650,000       | £650,000       |
| Gifts to charities   | Exempt         | Exempt         |
| Small gifts to same person   | £250           | £250           |
| General gifts – annual exemption   | £3,000         | £3,000         |
| Wedding gifts from parent  | £5,000         | £5,000         |
| Wedding gifts from grandparent/party   | £2,500         | £2,500         |
| Wedding gifts from other person  | £1,000         | £1,000         |
| <p><i>Note 1: The RNRB is available in respect of a main residence given away to children (including adopted, foster or stepchildren). Any unused nil-rate band transfers to the deceased's spouse or civil partner, even where death predates the availability of the additional threshold. It applies in addition to the existing nil-rate band (NRB) or threshold (currently £325,000) if the individual and estate meet the qualifying conditions.</i></p> <p><i>Note 2: The estate can pay inheritance tax at a reduced rate of 36% on some assets if you leave 10% or more of the net value to charity in your will.</i></p> |                |                |
| <b>Business Property Relief</b>  |                |                |
| Business or interest in a business and transfer if unquoted shareholdings  | 100%           | 100%           |
|  | <b>2019/20</b> | <b>2020/21</b> |
| <b>Taxation of trusts</b>  |                |                |
| <i>Accumulation or discretionary trusts:</i>   |                |                |
| Trust income up to £1,000 – dividend type income (note 1)  | 7.50%          | 7.50%          |
| Trust income up to £1,000 – all other income   | 20%            | 20%            |
| Trust income over £1,000 – dividend type income (note 1)   | 38.10%         | 38.10%         |
| Trust income over £1,000 – all other income  | 45%            | 45%            |

|  |                |                |
|--|----------------|----------------|
| <i>Interest in possession trusts:</i>  |                |                |
| Dividend type income   | 7.50%          | 7.50%          |
| All other income   | 20%            | 20%            |
| <i>Note 1: Trustees do not qualify for the dividend allowance. This means trustees pay tax on all dividends depending on the tax band they fall within.</i>  |                |                |
| <b>Corporation tax</b>   |                |                |
| All profits and gains (excluding determination agreements and diverted profits (note 1))   | 19%            | 19%            |
| S455 tax on all loans made by close companies to participator  | 32.50%         | 32.50%         |
| <b>Capital allowances</b>  |                |                |
| Main writing-down allowance (reducing balance)   | 18%            | 18%            |
| Special rate writing-down allowance (reducing balance)   | 6%             | 6%             |
| Structures and buildings allowance (SBA)   | 2%             | 3%             |
| Motor cars if CO <sub>2</sub> > 50g/km but does not exceed 110g/km (note 1)  | 18%            | 18%            |
| Motor cars if CO <sub>2</sub> > 110g/km (note 1)   | 6%             | 6%             |
| FYA – New and unused motor cars if CO <sub>2</sub> emissions are 50 g/km or less (or car is electric) (note 1)   | 100%           | 100%           |
| Small pool write-off where WDV is £1,000 or less   | 100%           | 100%           |
| First-year allowances for certain energy-saving/water-efficient products (note 2)  | 100%           | NA             |
| Annual investment allowance (AIA) (note 3)   | £1,000,000     | £1,000,000     |
| Annual investment allowance  | 100%           | 100%           |
| <p><i>Note 1: From April 2021, the thresholds for FYA will be reduced from 50g/km to 0g/km. Main rate of 18% capital allowance will be applicable for business cars with CO<sub>2</sub> emissions not exceeding 50g/k. Business cars' CO<sub>2</sub> emission exceeding 50g/km will be eligible for writing-down allowance at the special rate of 6%.</i></p> <p><i>Note 2: From 1 April 2020 for incorporated businesses and from 6 April 2020 for unincorporated businesses, environmental enhanced capital allowances will be abolished.</i></p> <p><i>Note 3: From 1 January 2019 the annual investment allowance is increased from £200,000 to £1m for investment made from 1 January 2019. This is temporarily increased for two years until 31 December 2020. The threshold will revert back to £200,000 from 1 January 2021.</i></p> |                |                |
|  | <b>2019/20</b> | <b>2020/21</b> |
| <b>Research and development tax credit rates</b>   |                |                |
| SME rate   | 230%           | 230%           |

|  |                |                |
|--|----------------|----------------|
| Research and development SME payable credit                  | 14.5%          | 14.5%          |
| Research and development expenditure credit (RDEC) scheme    | 12%            | 13%            |
| Film/High-end TV/videogames tax credit                       | 25%            | 25%            |
| Open-ended investment companies and authorised unit trusts   | 20%            | 20%            |
| <b>Patent box</b>  |                |                |
| Patent box   | 10%            | 10%            |
| <b>VAT</b>   |                |                |
| Standard rate  | 20%            | 20%            |
| Reduced rate   | 5%             | 5%             |
| Zero rate  | 0%             | 0%             |
| Flat rate of VAT on gross turnover (for limited cost trader) | 16.5%          | 16.5%          |
| Normal scheme registration threshold                         | £85,000        | £85,000        |
| Deregistration threshold                                     | £83,000        | £83,000        |
| Cash accounting scheme – maximum to join                     | £1,350,000     | £1,350,000     |
| Cash accounting scheme – exit threshold                      | £1,600,000     | £1,600,000     |
| Annual accounting scheme – maximum to join                   | £1,350,000     | £1,350,000     |
| Annual accounting scheme – exit threshold                    | £1,600,000     | £1,600,000     |
| Flat-rate scheme – maximum allowed to join                   | £150,000       | £150,000       |
| Flat-rate scheme exit threshold                              | £230,000       | £230,000       |
|  |                |                |
|  | <b>2019/20</b> | <b>2020/21</b> |
| <b>Annual tax on enveloped dwellings (ATED)</b>              | <b>£</b>       | <b>£</b>       |
| 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         | 58,850         |
| More than £10m but not more than £20m                        | 116,100        | 118,050        |
| More than £20m   | 232,350        | 236,250        |



March 2020

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This is a basic guide and It should not be used as a definitive guide, since individual circumstances may vary. Specific advice should be obtained, where necessary.