BUDGET 2020 HIGHLIGHTS

RPG SUMMARY OF THE MARCH 2020 BUDGET

Wednesday 11 March 2020 saw Rishi Sunak deliver the first budget of Boris Johnson's government.

Summarised within this document are RPG's initial reflections on the budget and those areas that impact on tax, benefits and the wider economy. If there are areas that you wish to discuss further, please do not hesitate to get in touch.

CORONAVIRUS COVID19 SUPPORT MEASURES

Statutory Sick Pay (SSP)

SSP will now be available for eligible individuals diagnosed with COVID-19 or those who are unable to work because they are self-isolating in line with Government advice or caring for those who have been told to self-isolate. This will be payable from day 1 instead of day 4 for affected individuals.

People who are advised to self-isolate for COVID-19 will be able to obtain an alternative to the fit note to cover this by contacting NHS 111, rather than visiting a doctor. This can be used by employees where their employers require evidence.

Employers with less than 250 employees (as at 28 Feb 2020) will be able reclaim SSP paid for sickness absence due to COVID-19 for up to 2 weeks for each eligible employee.

The self-employed or workers not eligible for SSP can claim additional support via Employment & Support Allowance or Universal Credit depending on individual circumstances.

Business Rates

The Business Rates retail discount will be increased to 100% for one year and expanded to include the leisure and hospitality sectors. The rateable value must be below £51k to qualify.

Small business who are currently eligible for Small Business Rate Relief or Rural Rate Relief will be entitled to a one off grant of £3,000.

Coronavirus Business Interruption Loan Scheme

A business interruption loan scheme will be put into place by the British Business Bank to support businesses. Loans of up to £1.2m will be made available to small and medium sized business and the government will provide lenders with an 80% guarantee in respect of these loans at no cost to the lender or borrower.

Time to Pay

A dedicated COVID-19 helpline is being set up to assist business with time to pay arrangements for PAYE and VAT during the Coronavirus crisis. These are tailored to individual circumstances. The HMRC dedicated helpline is 0800 0159 559. Time to pay arrangements typically only apply to overdue liabilities but you may wish to contact HMRC to discuss a payment plan in respect of forthcoming liabilities.

PERSONAL TAX

Capital Gains Tax (CGT) Reduction in the Entrepreneurs' Relief Lifetime Limit

As had been widely expected, the chancellor has introduced amendments to Entrepreneurs' Relief (ER) on capital gains. The government will introduce legislation in Finance Bill 2020 reducing the lifetime limit on gains eligible for Entrepreneurs' Relief from £10 million to £1 million for qualifying disposals made on or after 11 March 2020.

Specific rules will apply where contracts were exchanged before 11 March but not completed until after that date. There are also anti forestalling rules where contracts have been entered into before Budget Day with the purpose of obtaining a tax advantage. What this effectively means is that if you have previously had ER gains that exceeded £1 million you will not be able to get any future relief and if you have not had any previous ER gains then you are limited to £1 million of gains on future ER disposals. Potential maximum tax difference is £900,000.

Pension Contributions

In an effort largely to appease doctors employed by the NHS the Chancellor announced changes to the annual pension contribution limits for high earners. Despite pre-budget rumours there was no change to the higher rate tax relief available on pension contributions.

Under current rules where an individual has income in excess of £150,000 the maximum annual amount that can be put into a pension is reduced from £40,000 down to as little as £10,000.

For 2020/21 and subsequent years the threshold income limit, the point at which an individual is assessed for the taper, will be increased to £200,000, and the adjusted income limit, the point at which the annual allowance begins to reduce will be increased to £240,000. This means that those with income over £312,000 will be restricted to contributions of £4,000 per year, whilst those earning between £150,000 and £240,000 may now be able to pay the full £40,000 contributions annually.

The Lifetime Allowance for pensions has been increased in line with CPI to £1,073,100 for 2020/21.

Non-UK Resident Stamp Duty Land Tax Surcharge

The Budget 2020 announced a 2% SDLT surcharge on non-UK residents purchasing residential property in England & Northern Ireland to take effect from 1 April 2021. Where contracts are exchanged before 11 March 2020 but complete or are substantially performed after 1 April 2021, transitional rules may apply subject to conditions.

Changes in Rates Reliefs and Allowances

Most income tax allowances and thresholds remain unchanged from those previously announced, apart from some minor changes to the blind persons allowance and married couples allowances (for those born before 6 April 1935).

The National Insurance Primary Threshold and Lower profits limits have risen from £8,632 to £9,500 from 6 April 2020 (making an employee better off by £104 per annum) with no change to the upper earnings limit of £50,000.

The Adult ISA limit for 2020/21 remains at £20,000 whilst the junior ISA limit more than doubles from £4,368 to £9,000.

The CGT Annual exemption increased from £12,000 to 12,300 (£6,000 to £6,150 for trustees).

Company Car Tax Rates

There have been no changes to the company car benefit in kind percentages announced in 2019 for 2020/21 to 2022/23. It has also been confirmed that the 2022/23 rates will be frozen through to 2024/25.

The car fuel benefit multiplier for 2020/21 has been increased to £24,500 (£24,100) and the flat rate van benefit charge for 2020/21 has been increased to £3,490 (£3,430). The flat rate van fuel benefit charge for 2020/21 has been increased to £666 (£655).

Exemption of Zero Emission Cars from Vehicle Excise Duty “expensive car supplement”
A VED expensive car supplement was introduced in 2017 which provided that cars with a list price in excess of £40,000 paid an additional VED of £325 per annum for the first five VED renewals. An exemption from this additional charge has been introduced for Zero emission cars with effect from 1 April 2020.

CORPORATE TAX

Corporation Tax Rates

As highlighted during the General Election campaign the Corporation Tax Rate will remain at 19% in 2020 as opposed to the previously proposed reduction to 17%.

Despite this shift, the rate of Corporation Tax remains the lowest in the G20.

Structures and Buildings Allowance

This allowance, that currently provides tax relief at 2% per annum on the cost of construction, renovation or conversion of non-residential structures and buildings, will be increased to 3% per annum. This change will take effect from 1 April 2020 for Corporation Tax and 6 April 2020 for Income Tax.

Research & Development

The rate that applies to large Companies, subcontracted SMEs and SMEs conducting R&D using State Aid funds (the RDEC rate) increases from 12% to 13% from 1 April 2020.

No change to the rates for the SME R&D scheme were announced.

A consultation on whether expenditure on “data” and “cloud computing” should qualify for R&D Tax credits is set to take place.

The imposition of the PAYE cap on the payable tax credit for the SME R&D scheme will be delayed until April 2021.

Intangible Fixed Asset Regime

For acquisitions from 1 July 2020 tax relief on the cost of acquiring corporate intangible assets (including intellectual property such as trademarks, patents, design rights etc.) will be provided for under a single regime, removing the pre-2002 exclusion, and thus allowing tax relief on assets that otherwise would not have been eligible.

Enterprise Management Incentive "EMI" – Share Options

The government have announced a review on whether more Companies should be able to access the scheme.

Family Investment Companies (FICs)

Although there has been considerable press speculation about an attack on inheritance tax planning using FICs there was no indication of any activity in this area.

Postponed VAT Accounting

From 1 January 2021 businesses will be able to account for VAT on goods they import from all countries, including the EU on their periodic VAT return.

Domestic Reverse Charge for Building and Construction Services

It was confirmed that this change which was due to come into effect on 1 October 2019 but was delayed by BREXIT will be brought in effective 1 October 2020.

Changes in Rates Reliefs and Allowances

The First year allowance on electric cars has been extended until 31 March 2025. 100% of the cost can be deducted for tax purposes in the year of acquisition.

From 1 April 2021 all cars with CO_2 emissions above 50g/km (down from 110g/km) go into the special rate pool and writing down allowances are claimed at 6% instead of 18%.

The Employment Allowance has been increased from £3,000 to £4,000 although there have been some changes to the eligibility criteria and this can only now be claimed by employers whose total employer's national insurance liability is less than £100,000 per annum.

AVOIDANCE EVASION & NON-COMPLIANCE

In the Budget documents a number of measures were announced seeking to combat tax avoidance, evasion and non-compliance, including:

Tackling Promoters of Tax Avoidance

The government is taking forward further measures to reduce the scope for promoters to market tax avoidance schemes. Draft legislation will be published in July 2020 and legislation will be introduced in Finance Bill 2020-21 to make changes to the existing regimes that tackle avoidance.

HMRC Promoter Strategy

HMRC will publish a new ambitious strategy for tackling the promoters of tax avoidance schemes. This will outline the range of policy, operational and communications interventions both underway and in development to drive those who promote tax avoidance schemes out of the market and disrupt the supply chain to stop the spread of marketed tax avoidance and deter taxpayers from taking up the schemes.

Identifying Cross-border Arrangements That Could be Used to Avoid or Evade Tax

The government has introduced regulations which require taxpayers and their advisers to report to HMRC certain cross-border arrangements that could be used to avoid or evade tax.

Tackling Construction Industry Scheme (CIS) Abuse

The government will introduce legislation in Finance Bill 2020-21 to prevent non-compliant businesses from using the CIS to claim tax refunds to which they are not entitled. The measure will allow HMRC to reduce or deny the CIS credit claimed on employer returns where the sub-contractor cannot evidence the deductions and does not correct their return when asked. It will also simplify the rules covering deemed contractors, clarify the rules on allowable deductions for expenditure on materials, and expand the scope of the penalty for supplying false information when registering for CIS.

Conditionality: Hidden Economy

The government will legislate in Finance Bill 2020-21 to make the renewal of licences to drive taxis and private hire vehicles (PHVs, for example, minicabs), operate PHV firms and deal in scrap metal, conditional on applicants completing checks that confirm they are appropriately registered for tax. Licensing bodies will have to obtain confirmation that an applicant has completed the check before making a decision on their renewal application. This measure will make it more difficult for non-compliant traders to operate in the hidden economy and help level the playing field for the compliant majority. These changes will take effect in England and Wales in April 2022. The government is considering extending this reform to Scotland and Northern Ireland in the future and will work with the devolved administrations to this effect.

Tax Conditionality-Wider Application

The government will publish a discussion document seeking views on the wider application of tax conditionality in the spring. Tax conditionality refers to a principle whereby businesses are granted access to government awards and authorisations (such as approvals, licences, grants) only if they are able to demonstrate good tax compliance.

OTHER MATTERS

Reinstatement of HMRC Preferential Status in Insolvency

With effect from 1 December 2020 amounts due to HMRC in respect of VAT, PAYE, Income tax, employees NIC, CIS deductions and student loan deductions (but not corporation tax or employer NICs) will receive preferential debt status in an insolvency.

This means that they are paid after the fixed charge holder and the expenses of the insolvency but before the floating charge holders and all other unsecured creditors. As banks and other funders are often secured by way of a floating charge this may weaken their security position and may lead them to change their lending criteria to businesses which have significant HMRC liabilities which will now rank before them.

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The Budget provisions are subject to final approval via the Finance Bill and Royal Assent.

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