BLICK ROTHENBERG

a Capital company

investors CHRONICLE

TAXFAX 2020/21





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Allowances and reliefs

	2020/21	2019/20	Notes
Personal allowance	£12,500	£12,500	i, ii
10% of the personal allowance can be transferred between spouses/ civil partners where neither is a higher rate tax payer			ii
Blind person's allowance	£2,500	£2,450	
Married/civil partner's allowance			
At least one partner born before 6 April 1935	£9,075	£8,915	ii, iii
Minimum married/civil partner's allowance	£3,510	£3,450	ii, iii
Savings allowance for basic rate taxpayer	£1,000	£1,000	
Savings allowance for higher rate taxpayer	£500	£500	
Dividend allowance	£2,000	£2,000	
Rent-a-room maximum	£7,500	£7,500	
High income child benefit charge threshold	£50,000	£50,000	iv
Micro-entrepreneurs' allowances	£2,000	£2,000	v

Notes

i Reduced by £1 for every £2 of income over £100,000

ii Non-residents may not be entitled to personal allowances in certain circumstances

iii Available to persons born before 6 April 1935
- Reliefs for this allowance given at 10%
- Reduced to the minimum allowance by £1 for every £2 of income over £30,200 (£29,600 in 2019/20)

iv Charge of 1% of the benefit per £100 of adjusted net income over £50,000 100% of the benefit withdrawn when adjusted net income reaches £60,000

v £1,000 allowance for trading income and a £1,000 allowance for property income

Individuals - Tax rates and bands

Bands	2020/21	2019/20
Starting rate limit*	£5,000	£5,000
Basic rate band	£1 - £37,500	£1 - £37,500
Higher rate band	£37,501 - £150,000	£37,501 - £150,000
Additional rate band	Over £150,000	Over £150,000

*Applicable to savings

Rates	2020/21	2019/20
Basic rate	20%	20%
Higher rate	40%	40%
Additional rate	45%	45%
Starting rate for savings income	0%	0%
Dividend ordinary rate	7.5%	7.5%
Dividend upper rate	32.5%	32.5%
Dividend additional rate	38.1%	38.1%

Trusts - Income Tax rates and bands

	2020/21		2019/20	
	Dividends	Other	Dividends	Other
Interest in possession trusts and up to £1,000 for discretionary and accumulation and maintenance trusts	7.5%	20%	7.5%	20%
On income for non-interest in possession trusts over £1,000	38.1%	45%	38.1%	45%

Notes

Trusts where the settlor or spouse/civil partner retains an interest are taxed as the income of the settlor
Trusts for the vulnerable can be taxed at the beneficiary's rate of tax

Pension contribution reliefs

	2020/21	2019/20	Notes
Lifetime allowance	£1,073,100	£1,055,000	i, ii
Annual allowance	£40,000	£40,000	iii, iv,v
Money purchase annual allowance	£4,000	£4,000	

Notes

i Subject to any registration of protected pension funds, aggregate retirement benefits in excess of the lifetime allowance may be subject to the lifetime allowance charge of 55% of the surplus benefit
ii Pension lifetime allowance increases in line with consumer price index
iii Personal contributions cannot exceed 100% of earnings or, when aggregated with employer contributions, the annual allowance, plus unused allowances carried forward from the previous three years
iv From 2020/21 the annual allowance is reduced by £1 for every £2 of income from all sources over £200,000 to a minimum of £4,000
v Up to £3,600 p.a. gross can be paid into pensions irrespective of earnings to age 75

Capital Gains Tax (CGT)

Rates for individuals and trusts	2020/21	2019/20
Basic and standard rate taxpayers	10%	10%
Higher and additional rate taxpayers	20%	20%
Trusts and personal representatives	20%	20%
Gains qualifying for Entrepreneurs' Relief	10%	10%
Gains qualifying for Investors' Relief	10%	10%
Gains on residential property	28%	28%
Gains on carried interest	28%	28%

Non-UK residents are subject to CGT on disposals of UK residential property on the increase in the value from 6 April 2015

Exemptions and reliefs	2020/21	2019/20	Notes
Annual exemption			
Individuals	£12,300	£12,000	
Trusts	£6,150	£6,000	
Entrepreneurs' Relief	£1m	£10m	i
Investors' Relief	£10m	£10m	

Notes

i From 11 March 2020, the lifetime allowance will be reduced from £10m to £1m

Inheritance Tax (IHT)

Rates and bands	2020/21	2019/20	Notes
On death			
Nil rate band £1 - £325,000	0%	0%	i
Over £325,000	40%	40%	ii
Residence nil rate band	£175,000	£150,000	i,iii

Notes

i Nil rate band for estate of surviving spouse/civil partner is increased by the percentage of the nil rate band unutilised by the predeceased spouse/civil partner

ii Tax rate reduces to 36% when at least 10% of net chargeable estate is left to charity

iii Reduced by £1 for every £2 of the net value of the deceased's estate over £2m.

Main exemptions/reliefs

Spouse/civil partner – both UK domiciled (or transferor non-domiciled)		Unlimited
Gift from UK domiciled to non-UK domiciled spouse/civil partner (An election is available for the non-UK domiciled spouse/civil partner to be treated as UK domiciled for IHT purposes)		£325,000
Total annual gifts per donor		£3,000
Small gifts per donee not exceeding		£250
Marriage/civil partnership gifts by	- parent	£5,000
	- other 'relative'	£2,500
	- other	£1,000
Regular gifts our of surplus income		Unlimited
UK charities plus those in the EU, Norway and Iceland, and unlimited political parties in the UK		Unlimited

Business and agricultural property relief can be available at 50% or 100% on qualifying business or agricultural property

Lifetime gifts to an individual are initially not chargeable and are fully exempt after seven years

Gifts to relevant property trusts will be taxable at 20% on the excess over available nil rate band

Death within seven years of lifetime gifts – tax on value gifted is payable at death rates subject to taper relief:

Years	0-3	3-4	4-5	5-6	6-7	Over 7
Taper relief	0%	20%	40%	60%	80%	100%
Effective rate of IHT	40%	32%	24%	16%	8%	0%

Individual Savings Accounts (ISAs)

	2020/21	2019/20	Notes
Cash, shares and innovative finance combined limit	£20,000	£20,000	
Junior ISA	£9,000	£4,368	i
Help to buy ISA	£2,400	£2,400	ii,iii
Lifetime ISA	£4,000	£4,000	iii,iv

Notes

i Available to children not entitled to a Child Trust Fund

ii First time buyers over 16

iii A 25% bonus from the Government is available

iv Available to individuals over 18 but under 40 to save for their first home or retirement; but counts as part of the £20,000 ISA limit

Corporation Tax

	2020/21	2019/20	Notes
Corporation Tax - all profts and gains	19%	19%	i
Patent box effective rate	10%	10%	ii

Notes

i From 1 April 2019, includes gains on UK property realised by non-UK resident companies
From 1 April 2020, includes profits from UK property businesses carried on by non-UK resident companies

ii Applies to profits from qualifying patents derived from qualifying activities of the company

Research and Development (R&D) tax credits

	2020/21	2019/20
SME enhanced deduction	130%	130%
SME cash credit for surrendered R&D losses	14.5%	14.5%
Large company above the line credit	13%	12%

Capital allowances

Plant and machinery	2020/21	2019/20	Notes
Annual investment allowance	100%	100%	i
Structures and buildings	3%	2%	ii
Long life assets (at least 25 years) and integral features	6%	6%	
Other plant and machinery assets	18%	18%	
First year allowances R&D, enterprise zone (qualifying zones), energy-saving technologies (including cars), water efficient technology, brand new zero-emission goods vehicles	100%	100%	iii
Intangible assets			
Goodwill and customer related intangibles	6.5%	6.5%	iv
Other intangible assets	4%	4%	v

Cars CO_2 emissions (g/km)	2020/21	2019/20	
50 or less	100%	100%	
51-110	18%	18%	
Over 110	8%	8%	

Notes

i Maximum allowance of £200,000 p.a. (increased to £1m p.a. for expenditure between 1 January 2019 and 31 December 2020).

ii Flat rate allowance, applicable to non-residential structures and buildings, where construction contract entered into on or after 29 October 2018.

iii Allowances for certain energy saving technologies abolished from 1 April 2020

iv Straight-line deduction available in certain circumstances, i.e. where acquired on or after 1 April 2019 on the acquisition of a business if 'qualifying IP assets' are also acquired. Total deduction capped at six times expenditure on 'qualifying IP assets'

v Excludes purchased goodwill and customer related intangible assets acquired after 8 July 2015. Tax deductions for accounting depreciation may be claimed instead.

Value Added Tax (VAT)

	2020/21	2019/20
Standard rate	20%	20%
Reduced rate	5%	5%

VAT registration thresholds

Registration required:	If UK taxable turnover is:
UK established businesses	More than £85,000 p.a.
Non-UK established businesses	Any amount
Deregistration is possible	Less than £83,000 p.a.
Distance selling (goods supplied from other EU countries to UK private consumers until the end of the transition period)	More than £70,000 p.a. (per calendar year)

Other VAT schemes

Eligible to use Cash Accounting Scheme	Less than £1,350,000 p.a.
Eligible to use Annual Accounting Scheme	Less than £1,350,000 p.a.
Eligible to use Flat Rate Scheme	Less than £150,000 p.a.
Distance selling (goods supplied from other EU countries to UK private consumers)	More than £70,000 p.a. (per calendar year)

Stamp Duty Land Tax (SDLT)

SDLT chargeable on purchase of land and property in England and Northern Ireland 2020/21 and 2019/20

Tax rates below charged on part of purchase price within each band:

Residential (purchase price/premium payable)

Rate	
0%	Up to £125,000
2%	£125,001 to £250,000
5%	£250,001 to £925,000
10%	£925,001 to £1,500,000
12%	Over £1,500,000
15%	Enveloped properties over £500,000

There is a 3% supplement to residential rates for second residential property and buy-to-let property

From April 2021, a 2% supplement on non-UK residents purchasing residential property will apply

Non-residential (purchase price/premium payable)

Rate	
0%	Up to £150,000
2%	£150,001 to £250,000
5%	over £250,000

Leasehold rent transactions ('net present value' of rent)

Residential		Non-residential/mixed use	
Rate		Rate	
0%	Up to £125,000	0%	Up to £150,000
1%	Over £125,000	1%	£150,001 to £5,000,000
		2%	over £5,000,000

Relief for first time buyers

Special rates apply for a qualifying buyer's first home. Price paid for the home must not exceed £500,000.

Rate	
0%	Up to £300,000
5%	£300,001 to £500,000

Annual Tax on Enveloped Dwelling (ATED)

ATED is an annual tax payable mainly by companies that own UK residential dwellings that are individually valued in excess of £500,000

The ATED period runs from 1 April to 31 March each year, and payment is due by 30 April following the beginning of each ATED period

The ATED is chargeable at a flat rate if a property falls into a specific valuation band as follows:

	2020/21	2019/20
Residential property value	**Annual Charge**	
Up to £500,000	£n/a	£n/a
£500,001 - £1,000,000	£3,700	£3,650
£1,000,001 - £2,000,000	£7,500	£7,400
£2,000,001 - £5,000,000	£25,200	£24,800
£5,000,001 - £10,000,000	£58,850	£57,900
£10,000,001 - £20,000,000	£118,050	£116,100
Over £20,000,000	£236,250	£232,350

ATED CGT was abolished and replaced with non-resident CGT for disposals of property held by non-residents at a rate of 28%

Tax free mileage rates

2020/21 and 2019/20

Employees own car	Rate per mile
Annual business mileage up to 10,000 miles	45p
Each additional mile over 10,000 miles	25p
Each qualifying passenger	5p
Motorcycle	24p
Cycle	20p

National Insurance Contributions (NIC's)

2020/21

Class 1 primary employees	2020/21
Total weekly earnings - contracted in up to £183	nil
over £183 to £962	12%
over £962 on excess	2%

Class 1 secondary employees	2020/21
Total weekly earnings - contracted in up to £183	nil
over £183	13.8
Class 1A employers only	13.8% on taxable benefits
Class 1B employers only	13.8% on amount in PAYE settlement agreement and income tax thereon
Class 2 flat rate for self employed	£3.05 p.w. if earning over £6,475 p.a.
Class 3 voluntary	£15.30 p.w.
Class 4 self employed	9% on profits over £9,500 to £50,000 and a further 2% on profits above £50,000

Notes

Employment allowance – Eligible businesses and charities can claim a reduction of up to £4,000 per annum of their employer contributions

NIC incentive – Class 1 secondary NIC will not be due from employers with employees under the age of 25, who are following an approved UK Government statutory apprenticeship framework, who earn up to £962 per week

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