

Tax Facts

RATES AND ALLOWANCES GUIDE

2020 / 2021



UNLOCKING TAX

www.hazlewoods.co.uk

HAZLEWOODS

DRIVING LIFELONG PROSPERITY

CONTENTS

PERSONAL TAX

	Page
Income tax rates and allowances	1
Timetable for self-assessment	3
Pensions	3
Capital gains tax	4
Inheritance tax	5
Investments	6

BUSINESS TAX

Corporation tax	7
Capital allowances	7
R&D and Patent Box	7
Corporation tax self-assessment and quarterly payments	8
Employee benefits	8
Approved mileage rates	9
National insurance contributions	10

INDIRECT TAX

VAT	11
Stamp duties	11
Annual tax on enveloped dwellings	12

PROPOSED CHANGES 2021/22	13
--------------------------	----

PERSONAL TAX

INCOME TAX RATES AND ALLOWANCES

Personal allowances [#]	2020/21	2019/20
Personal allowance*	£12,500	£12,500
Transferable marriage allowance**	£1,250	£1,250
10% married couple's allowance***	£9,075	£8,915
Dividend allowance	£2,000	£2,000
Blind person's allowance	£2,500	£2,450

£1,000 allowance each for property and trading income available subject to various restrictions.

* The personal allowance is restricted by £1 for every £2 of income over £100,000, to a minimum of nil.

** Only available where both spouses are basic rate taxpayers.

*** Married couple's allowance is available where either partner was born before 6/4/1935 and is reduced by £1 for every £2 of income over £30,200 (£29,600 for 2019/20) to a minimum of £3,510 (£3,450 for 2019/20).

Non-savings and savings income	2020/21 Taxable income	2019/20 Taxable income
0% starting rate for savings*	£5,000	£5,000
20% basic rate	up to £37,500	up to £37,500
40% higher rate	£37,501 - £150,000	£37,501 - £150,000
45% additional rate [#]	over £150,000	over £150,000
Personal savings allowance for basic rate taxpayers	£1,000	£1,000
Personal savings allowance for higher rate taxpayers (nil for additional rate taxpayers)	£500	£500

Dividend income**	2020/21	2019/20
Basic rate	7.5%	7.5%
Higher rate	32.5%	32.5%
Additional rate [#]	38.1%	38.1%

* The starting savings rate is restricted by non-savings taxable income. No allowance will be available if the non-savings income exceeds the personal allowance plus the £5,000 starting rate.

** A £2,000 dividend allowance is available, above which the rates shown are payable.

Rate applicable for trusts.

INCOME TAX RATES AND ALLOWANCES

High income child benefit charge (HICBC)	2020/21	2019/20
HICBC paid by spouse/partner with higher income if income exceeds*	£50,000	£50,000
Income above which HICBC is full amount of child benefit received**	£60,000	£60,000

Every £100 of income above £50,000 adds one percentage point to the rate of HICBC. HICBC is charged on the amount of child benefit received.

* Taxable income net of gift aid and allowable pension contributions, but not personal reliefs.

** No HICBC if person entitled to child benefit elects not to receive child benefit.

Rent a room relief

Income threshold – gross receipts £7,500

Individual savings account (ISA) limit	2020/21	2019/20
Maximum contribution	£20,000	£20,000
Junior ISA – maximum contribution*	£9,000	£4,368

* Available for children under age 18 who live in the UK and do not have a child trust fund.

Lifetime ISA	2020/21	2019/20
Upper age limit	40	40
Annual contribution limit	£4,000	£4,000
Government contribution	25%	25%

Withdrawals can be made after 12 months to buy a home or for any reason after the age of 60. Other withdrawals are subject to a 25% penalty.

TIMETABLE FOR SELF-ASSESSMENT

Date	Event
31 July 2020	Second payment on account for 2019/20
5 October 2020	Deadline for notification of chargeability 2019/20
31 October 2020	File paper return for 2019/20 for HMRC
30 December 2020	File return for 2019/20 for a tax underpayment of less than £3,000 to be collected via PAYE during 2021/22
31 January 2021	File electronic return for 2019/20 Balancing payment for 2019/20 First payment on account for 2020/21

PENSIONS

	2020/21	2019/20
Maximum tax allowable contributions*	£40,000**	£40,000**
Maximum tax allowable contributions not restricted to earnings	£3,600	£3,600
Lifetime allowance – maximum pension fund	£1,073,100	£1,055,000

Special rules attribute value to defined benefit (final salary) and other pension arrangements.

* Employee contributions are also limited to taxable earnings/trading income if higher than the minimum contribution. Annual allowance will still be increased by unused relief for three previous tax years.

** The standard annual allowance will be reduced by £1 for every £2 of 'adjusted income' (which includes employer pension contributions) above £240,000 (£150,000 2019/20) to a minimum of £4,000 (£10,000 2019/20) but only if an individual also has 'threshold income' (broadly, an individual's taxable income) of over £200,000 (£110,000 2019/20).

A charge is applied to any excess pension contributions over and above the total allowance. The charge is linked to the individual's marginal rate.

A tax charge arises if the value of the pension at retirement exceeds the lifetime allowance of £1,073,100. The tax charge is 55% if the amount over the lifetime allowance is paid as a lump sum and 25% if it is not taken as a lump sum.

The annual allowance is reduced to £4,000 if more than 25% pension commencement lump sum has been drawn from a defined contribution pot, flexible drawdown has commenced or the income limit for capped drawdown has been exceeded.

CAPITAL GAINS TAX

Annual exempt amounts	2020/21	2019/20
Individuals and personal representatives	£12,300	£12,000
Trusts generally	£6,150	£6,000

Rates of tax	2020/21	2019/20
Individuals - basic rate*	10%	10%
Individuals – higher or additional rate*	20%	20%
Entrepreneurs' relief	10%	10%
Entrepreneurs' relief lifetime limit on gains**	£1m	£10m
Investors' relief	10%	10%
Investors' relief lifetime limit on gains	£10m	£10m
Companies (corporation tax rates)	19%	19%
Trusts and personal representatives*	20%	20%

* 8% surcharge for gains on residential property and carried interest.

** The £1 million limit applies to disposals on or after 11 March 2020, subject to anti-forestalling rules.

Qualifying criteria for entrepreneurs' relief and investors' relief

Description	Entrepreneurs' relief	Investors' relief
Acquisition of shares	At any point from anyone	Subscription for new shares after 16 March 2016
Type of shares	Any	Ordinary
Holding period	24 months to date of disposal (12 months for disposals pre 6 April 2019)	36 months to date of disposal, (commencing from 6 April 2016 at the earliest)
Minimum shareholding	5% of ordinary share capital, voting rights and entitlement to proceeds on disposal* unless through EMI	N/A
Company requirement	Trading company or holding company of a trading group	Unlisted trading company or unlisted holding company of a trading group
Employment condition	Employees or officer for at least 24 months prior to disposal	Investor and its associates must not be an employee or officer (some exceptions apply)

* An alternative condition of beneficial entitlement to 5% of profits available for distribution and 5% of assets available on a winding up throughout the entire qualifying period can be met instead of the 5% entitlement to proceeds on disposal condition.

INHERITANCE TAX

Rates	2020/21	2019/20
0%	Up to £325,000	Up to £325,000
40% (death rate)*	Over £325,000	Over £325,000
20% (lifetime rate)	Over £325,000	Over £325,000
Residence nil rate band**	Up to £175,000	Up to £150,000

Any unused percentage of the nil rate band from the estate of a previously deceased spouse can be used on the death of the second spouse.

* A reduced rate of 36% applies where the deceased leaves at least 10% of their net estate to charity.

** The residence nil rate band applies for a home passed to a direct descendent, but is restricted where the estate is worth more than £2 million.

Major exemptions

Gifts to UK domiciled spouse	Unlimited
Gifts to non-UK domiciled spouse	£325,000
Gifts to charities	Unlimited
Annual gifts*	£3,000
Small gifts to different individuals	£250
Gift on marriage	- By parent £5,000 - By remoter ancestor £2,500 - By other person £1,000
Regular gifts out of surplus income	Unlimited
Most transfers between individuals, if donor survives for 7 years	

* Unused annual allowance can be carried forward for one year only.

Taper relief

Taper relief is given in respect of chargeable gifts made between 3 and 7 years before death.

Years between gift and death	Tax rate
Less than 3	40%
3 to 4	32%
4 to 5	24%
5 to 6	16%
6 to 7	8%
7 or more	0%

INHERITANCE TAX

Agricultural property relief

Vacant possession available within 24 months	100%
Landlords' interest in let farmland	50%
- for new tenancies let after 31 August 1995	100%

Business property relief

Unincorporated business	100%
Unquoted shares in a trading company	100%
Assets used in controlled business	50%

INVESTMENTS

Enterprise investment scheme (EIS)	2020/21	2019/20
Maximum investment for income tax relief in qualifying 'knowledge intensive companies'	£2m	£2m
Maximum investment for income tax relief in non-qualifying 'knowledge intensive companies'	£1m	£1m
Rate of income tax relief	30%	30%

Seed enterprise investment scheme (SEIS)	2020/21	2019/20
Maximum investment for income tax relief	£100,000	£100,000
Rate of income tax relief	50%	50%

Venture capital trusts (VCT)	2020/21	2019/20
Maximum investment for income tax relief	£200,000	£200,000
Rate of income tax relief	30%	30%

Social investment tax relief (SITR)	2020/21	2019/20
Maximum investment for income tax relief	£1m	£1m
Rate of income tax relief	30%	30%

BUSINESS TAX

CORPORATION TAX

	Year ending 31 March 2021	Year ending 31 March 2020
Main rate	19%	19%
Loans to participators*	32.5%	32.5%

* Where not repaid within 9 months of the year end.

CAPITAL ALLOWANCES

	2020/21	2019/20
Annual investment allowance (AIA)*	100% on first £1,000,000/£200,000	100% on first £1,000,000
Writing down allowance (WDA)		
Plant and machinery	18%	18%
WDA – special rate pool	6%	6%
Energy saving plant or machinery	N/A	100%
Environmentally beneficial plant or machinery	N/A	100%
Structures and buildings allowance (SBA)**	3%	2%
Motor cars		
CO ₂ emissions < 50g/km - FYA	100%	100%
CO ₂ emissions 50g/km – 110g/km - WDA	18%	18%
CO ₂ emissions > 110g/km - WDA	6%	6%
Research and Development (R&D) allowances	100%	100%

* An AIA of £1 million applies to investments made between 1 January 2019 and 31 December 2020. From 1 January 2021 the AIA will reduce to £200,000. For accounting periods which straddle 1 January 2021, transitional arrangements will apply and should be checked as to the maximum amount of AIA that can be claimed.

** The SBA applies to qualifying commercial structures and building costs where a contract has been entered into on or after 29 October 2018.

R&D AND PATENT BOX

	Expenditure incurred on or after 1 April 2020	Expenditure incurred 1 Jan 2020 to 31 March 2020
SME tax credit*	230%	230%
SME payable credit	14.5%	14.5%
R&D expenditure credit	13%	12%
Patent Box	10%	10%

* Relief capped at €7.5m per project.

CORPORATION TAX SELF ASSESSMENT AND QUARTERLY PAYMENTS

Quarterly instalment payments apply to large companies (taxable profits of at least £1,500,000 p.a. reduced pro rata by the number of associated companies). From 1 April 2019, accelerated instalment payments apply to 'very large' companies (taxable profits of at least £20,000,000 p.a. again reduced pro rata and by associated companies).

Timetable for corporation tax self-assessment and quarterly payments

Event	Large companies due date From start of accounting period:	Very large companies due date From start of accounting period:
First quarterly payment date	6 months and 13 days	2 months and 13 days
Second quarterly payment date	9 months and 13 days	5 months and 13 days
Third quarterly payment date	12 months and 13 days	8 months and 13 days
Fourth quarterly payment date	15 months and 13 days	11 months and 13 days
Payment date for companies not in quarterly instalments regime	9 months and 1 day after the end of the accounting period	
Filing date for tax return	Within 12 months of the end of the accounting period	

EMPLOYEE BENEFITS

Beneficial loans

Threshold	£10,000
Official rate of interest from 6 April 2020	2.25%

Company vans and fuel	2020/21	2019/20
Van benefit	£3,490	£3,430
Fuel benefit	£666	£655

Fuel benefit – cars

For 2020/21 the benefit is £24,500 (£24,100 2019/20) multiplied by the relevant percentage as shown over page (plus 4% diesel supplement where applicable but capped at 37%).

EMPLOYEE BENEFITS

Company cars

The car benefit is calculated by multiplying the list price of the car when new (not the purchase price) by a percentage that is dependent on the level of approved CO2 emissions of the car.

CO2 emissions in g/km	Electric range (miles)	% of car's list price to be taxed in 2020/21*	% of car's list price to be taxed in 2019/20	CO2 emissions in g/km	% of car's list price to be taxed in 2020/21*	% of car's list price to be taxed in 2019/20
0	N/A	0	16	95-99	24	23
1-50	>130	2	16	100-104	25	24
1-50	70-129	5	16	105-109	26	25
1-50	40-69	8	16	110-114	27	26
1-50	30-39	12	16	115-119	28	27
1-50	<30	14	16	120-124	29	28
51-54		15	19	125-129	30	29
55-59		16	19	130-134	31	30
60-64		17	19	135-139	32	31
65-69		18	19	140-144	33	32
70-74		19	19	145-149	34	33
75-79		20	22	150-154	35	34
80-84		21	22	155-159	36	35
85-89		22	22	160-164	37	36
90-94		23	22	165+	37	37

This percentage is increased by 4% for diesel cars that do not meet the Real Driving Emissions Step 2 (RDE2) standards but subject to an overall cap at 37%.

* For cars registered on or after 6 April 2020, the appropriate percentage will be 2% lower than the above rates for 2020/21 and set at 36% for emissions of 165-169g/km and capped at 37% for emissions of over 169g/km.

APPROVED MILEAGE RATES

45p per mile for the first 10,000 miles and 25p for additional mileage above that limit. Employers can also pay up to 5p per mile for each employee who travels as a passenger on a business journey.

HMRC's approved 'tax-free' business mileage rates for employees using company cars are reviewed quarterly, with any changes taking effect from 1 March, 1 June, 1 September and 1 December. The rates are the maximum amount that can be paid without a charge to tax and NIC for business miles. If an employee receives less than these rates, then they can claim tax relief on the difference.

The current rates can be found at: www.hmrc.gov.uk/cars/advisory_fuel_current.htm

NATIONAL INSURANCE CONTRIBUTIONS

Class 1 - Employer's and employee's	2020/21	2019/20
Lower earnings limit (LEL) per week	£120	£118
Primary threshold per week	£183	£166
Secondary threshold per week	£169	£166
Upper earnings limit (UEL) per week	£962	£962

Earnings over the LEL qualify an individual for certain state benefits and must be reported under PAYE, but no employee's NICs are payable until earnings exceed the primary threshold of £183 per week (£9,500 per annum) and employer's NICs once earnings exceed the secondary threshold of £169 per week (£8,788 per annum).

Class 1 - Employer's	- Rate above secondary threshold (no upper limit)	13.8%	13.8%
Class 1 - Employee's	- Rate between primary threshold and UEL	12%	12%
	- Rate above UEL	2%	2%
	- Married women and widows rate above threshold, below UEL (2% above)	5.85%	5.85%
Class 1A (taxable benefits)		13.8%	13.8%
Class 1B (PAYE settlement agreement)		13.8%	13.8%
Class 2 (self-employed)	- Small profits threshold	£6,475	£6,365
	- Flat rate per week	£3.05	£3.00
Class 3 (voluntary)	- Flat rate per week	£15.30	£15.00
Class 4 (self-employed)	- Lower limit	£9,500	£8,632
	- Upper limit	£50,000	£50,000
	- Rate between limits	9%	9%
	- Rate above upper limit	2%	2%
Employment allowance (per employer)		£4,000*	£3,000

* From 1 April 2020, the Employment Allowance is only available to employers with an employer NICs bill of less than £100,000 in the previous tax year.

INDIRECT TAX

VAT

	2020/21	2019/20
Standard rate	20%	20%
Reduced rate	5%	5%
Registration threshold	£85,000	£85,000
Deregistration threshold	£83,000	£83,000
Cash accounting entry limit	£1,350,000	£1,350,000
Cash accounting exit limit	£1,600,000	£1,600,000
Annual VAT returns entry limit	£1,350,000	£1,350,000
Annual VAT returns exit limit	£1,600,000	£1,600,000
Flat rate scheme taxable turnover entry limit	£150,000	£150,000
Flat rate scheme total business income exit limit	£230,000	£230,000

STAMP DUTIES

Residential property	SDLT rate [#]	Rate for additional residential properties
Up to £125,000	Zero	3%
Over £125,000 to £250,000	2%	5%
Over £250,000 to £925,000	5%	8%
Over £925,000 to £1,500,000	10%	13%
Over £1,500,000	12%	15%
Over £500,000 if bought by a non-natural person (e.g. a company)*	15%	N/A

* 15% rate applies to the entire consideration, subject to certain exemptions.

[#] First time buyers purchasing a residential property worth less than £300,000 are exempt from SDLT. First time purchases with a value of between £300,000 and £500,000 will pay SDLT at a rate of 5% on the amount in excess of £300,000. If the property purchase is above £500,000, first time buyers' relief will not be available.

STAMP DUTIES

Non-residential or mixed use property	SDLT rate
Up to £150,000	Zero
Over £150,000 to £250,000	2%
Over £250,000	5%

Residential leases*	SDLT rate	Non-residential/ mixed use leases*	SDLT rate
Up to £125,000	Zero	Up to £150,000	Zero
Over £125,000	1%	Over £150,000 to £5,000,000	1%
		Over £5,000,000	2%

* Based on net present value of rents.

Other	SD rate
Share purchases over £1,000	0.5%*

* Rounded up to the nearest £5.

ANNUAL TAX ON ENVELOPED DWELLINGS

The filing date for ATED returns and payment is 30 April 2020 for properties in the charge to tax on 1 April 2020.

Property value (£)	1 April 2020 – 31 March 2021 ATED charge	1 April 2019 – 31 March 2020 ATED charge
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
20,000,001 +	£236,250	£232,350

PROPOSED CHANGES 2021/22

SDLT FOR NON-RESIDENTS

A new 2% surcharge will be introduced from 1 April 2021 for all purchases of residential property by non-UK residents. This is in addition to the current surcharge that applies to additional dwellings or those purchased by a non-individual.

CAPITAL ALLOWANCES

First year allowances on ultra-low emission vehicles will be extended from 1 April 2021 to 31 March 2025, but will only be available for zero emission cars (currently available for cars with emissions of less than 50g/km). Business cars with CO₂ emissions of less than 50g/km will attract writing down allowances of 18% per annum and cars with emissions exceeding 50g/km will be eligible for writing down allowances of 6% per annum within the special rate pool.

NATIONAL INSURANCE HOLIDAY FOR VETERANS

From April 2021, employers will be able to claim a 'holiday' rate of 0% Class 1 secondary national insurance when employing veterans. The holiday rate lasts for 12 months from the date of commencement of the eligible veterans first civilian employment.

For further information please contact:

Cheltenham: 01242 237661
Staverton: 01242 680000

www.hazlewoods.co.uk
[@Hazlewoods_Tax](https://twitter.com/Hazlewoods_Tax)

We strongly recommend you take professional advice before making decisions on matters discussed here. No responsibility for any loss to any person acting as a result of the material can be accepted by us. Hazlewoods LLP is a Limited Liability Partnership registered in England and Wales with number OC311817. Registered office: Staverton Court, Staverton, Cheltenham, Gloucestershire, GL51 0UX. A list of LLP partners is available for inspection at each office. Hazlewoods LLP is registered to carry on audit work in the UK and regulated for a range of investment business activities by the Institute of Chartered Accountants in England & Wales.



WE ARE AN INDEPENDENT MEMBER OF
THE GLOBAL ADVISORY
AND ACCOUNTING NETWORK