



Wilkes Associates
Accountants

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This booklet is prepared for guidance only.
We recommend that you contact us for advice
before acting on any information contained in the
booklet and we cannot accept responsibility for any
action taken without such advice.

Personal Tax

Main personal allowances

| | 2020/21 | 2019/20 |
|------------------------------------|---------|---------|
| Personal income tax allowance (PA) | £12,500 | £12,500 |
| Marriage allowance (transferable) | 1,250 | 1,250 |
| Blind person's allowance | 2,500 | 2,450 |
| Rent-a-room relief | 7,500 | 7,500 |
| Trading Income | 1,000 | 1,000 |
| Property Income | 1,000 | 1,000 |

Notes

- PA is reduced by £1 for every £2 by which Adjusted Net Income (ANI) exceeds £100,000, so PA is nil when ANI is £125,000.
- ANI is total taxable income, less qualifying pension contributions and Gift Aid donations.
- Marriage allowance is the transferable part of the PA and is available only to married couples and civil partners born after 5 April 1935. It can be transferred to their spouse or civil partner as long as the recipient is not a higher or additional rate taxpayer.
- The rent-a-room exemption is available where the taxpayer lets out part of the home they live in as furnished residential accommodation.
- The trading and property income allowances have various conditions that restrict their availability.
- Where rent-a-room, trading or property income exceed the relevant limit above, that limit (rather than expenses) may be deducted from gross income.

Income tax bands

| | 2020/21 | 2019/20 |
|----------------------------------|----------------|----------------|
| Savings rate band | £5,000 | £5,000 |
| Basic rate band (BRB) | 37,500 | 37,500 |
| Higher rate band (HRB) | 37,501-150,000 | 37,501-150,000 |
| Additional rate | over 150,000 | over 150,000 |
| Personal Savings Allowance (PSA) | | |
| – Basic rate taxpayer | 1,000 | 1,000 |
| – Higher rate taxpayer | 500 | 500 |
| Dividend allowance | 2,000 | 2,000 |

Notes

- The BRB (Scotland: intermediate rate band) and additional rate threshold are extended by the grossed-up equivalent of personal pension contributions and Gift Aid donations paid by the taxpayer in the tax year, or treated as paid in the tax year.
- Taxable income usually uses up the rate bands in the following order:
 - G 'general income' (employment, pensions, business profits, rent)
 - S 'savings income' (mainly interest)
 - D 'dividends' (distributions from companies/most unit trusts)
- The savings rate band is part of the basic rate band, meaning that to the extent that savings income falls in the first £5,000 of the basic rate band, it is taxed at nil rather than 20%.
- Different bands and rates apply to general income in Scotland (see page 3).

Income tax rates

| | 2020/21 & 2019/20 | | |
|-------------------|-------------------|-----|-------|
| Rates differ for: | G | S | D |
| Basic rate | 20% | 20% | 7.5% |
| Higher rate | 40% | 40% | 32.5% |
| Additional rate | 45% | 45% | 38.1% |

Notes

1. The PSA taxes interest at nil, where it would otherwise be taxable at 20% or 40%. It is not available to an additional rate taxpayer.
2. Dividends are usually taxed as the 'top slice' of income. The Dividend Allowance taxes the first £2,000 of dividend income at nil rather than the rate that would otherwise apply.

Income tax bands and rates - Scotland

| | | 2020/21 | 2019/20 |
|-------------------|-----|----------------|----------------|
| Starter rate | 19% | £2,085 | £2,049 |
| Basic rate | 20% | 2,086-12,658 | 2,050-12,444 |
| Intermediate rate | 21% | 12,659-30,930 | 12,445-30,930 |
| Higher rate | 41% | 30,931-150,000 | 30,931-150,000 |
| Top rate | 46% | over 150,000 | over 150,000 |

Note

The Scottish rates and bands do not apply for savings and dividend income, which are taxed at normal UK rates.

Remittance basis charge

| Resident in the UK for | 2020/21 | 2019/20 |
|------------------------------|---------------------------|---------|
| 7 of preceding 9 tax years | £30,000 | £30,000 |
| 12 of preceding 14 tax years | 60,000 | 60,000 |
| 15 of preceding 20 tax years | Deemed to be UK domiciled | |

Note

The remittance basis charge (RBC) is payable by non-UK domiciled individuals who claim the remittance basis and who have been resident in the UK for the periods shown.

Residential landlords

| | 2020/21 | 2019/20 |
|--|---------|---------|
| Proportion of finance costs allowable against letting income | Nil | 25% |

Notes

1. Finance costs comprise mainly interest, but include related matters such as arrangement fees.
2. A tax reducer at 20% of the disallowed finance costs is available to reduce the landlord's income tax liability, but is subject to certain restrictions.
3. These rules do not affect qualifying furnished holiday lets, commercial property or corporate landlords.

High Income Child Benefit charge (HICBC)

| | 2020/21 | 2019/20 |
|-----------------|---------|---------|
| Lower threshold | £50,000 | £50,000 |
| Upper threshold | 60,000 | 60,000 |

Notes

1. Only applicable to families who receive child benefit, where adjusted net income of higher earner is above lower threshold.
2. HICBC is equivalent to 1% of child benefit received by the family, for every £100 of adjusted net income over lower threshold.
3. The higher earner in the family must declare child benefit received by them or their partner on their tax return.
4. The recipient of child benefit can elect not to receive it in order to avoid the HICBC, without losing their right to accrue certain state benefits. Child benefit payments can subsequently be recommenced if the claimant chooses.

Pensions

Registered pensions

| | 2020/21 | 2019/20 |
|---------------------------------|------------|------------|
| Lifetime Allowance (LA) | £1,073,100 | £1,055,000 |
| Annual Allowance (AA) - maximum | 40,000 | 40,000 |
| Annual Allowance - minimum | 4,000 | 10,000 |
| Money Purchase | | |
| Annual Allowance (MPAA) | 4,000 | 4,000 |

Notes

1. Contributions to registered personal pension schemes are paid net of basic rate tax. The policyholder pays 80% and HMRC pay 20%.
2. Tax relief at the taxpayer's marginal income tax rate is given on pension contributions up to 100% of earnings, capped by the AA.
3. Those with little or no UK relevant earnings can make pension contributions up to £3,600 gross (£2,880 net) per year.
4. AA can be increased by unused allowance brought forward from the previous three tax years.
5. AA is usually tapered down by £1 for every £2 of adjusted income over £240,000 (2019/20: £150,000), to a minimum of £4,000 (2019/20: £10,000).
6. Annual allowance charge (for pension inputs exceeding the annual allowance) is levied at the individual's marginal rate.
7. Employers can contribute to the employee's pension fund up to the AA per year, less any contributions made by the individual. Employer will enjoy tax relief on those contributions under the normal rules for business expenses.
8. Investors in personal and other defined contribution pension schemes can access all of their pension savings once they reach age 55.
9. When the investor takes benefits from such pension schemes under flexi-access drawdown, up to 25% of the accumulated fund can be drawn as a tax-free lump sum. The balance is taxed at the investor's marginal rate of tax that applies in the year those benefits are drawn.
10. LA is measured against the capital value of the pension benefits at the time they are first taken and on certain other occasions.
11. LA charge is 55% if funds exceeding the LA are taken as a lump sum, or 25% if the benefits are taken as income.
12. MPAA replaces AA where taxpayer has started to take taxable income from a defined contribution scheme. There is no carry forward of unused MPAA.

State pension

| Maximum amount per week | 2020/21 | 2019/20 |
|-----------------------------------|---------|---------|
| Old state pension – Single person | £134.25 | £129.20 |
| – Married couple | 214.75 | 206.65 |
| New state pension | 175.20 | 168.60 |

Notes

1. An individual is eligible to draw the state retirement pension when he or she reaches State Pension Age (SPA). State Pension age is increasing for both men and women; it will be 66 by October 2020. Thereafter, it will gradually increase to 68.
2. Individuals who reach SPA after 5 April 2016 receive the new state pension, which replaced the old state pension, the second state pension and pension credit.
3. An individual who qualifies for the state pension may choose to defer claiming it. Any deferred pension will be paid at a higher rate than the normal pension.
4. The state pension is taxable.

Investment reliefs

| Annual investment limits | 2020/21 | 2019/20 |
|-------------------------------------|-----------|-----------|
| Individual Savings Account (ISA) | | |
| – Overall Limit | £20,000 | £20,000 |
| – Lifetime ISA (LISA) | 4,000 | 4,000 |
| Enterprise Investment Scheme (EIS) | 2,000,000 | 2,000,000 |
| Seed EIS (SEIS) | 100,000 | 100,000 |
| Venture Capital Trust (VCT) | 200,000 | 200,000 |
| Social Investment Tax Relief (SITR) | 1,000,000 | 1,000,000 |

Notes

1. ISA investors can invest in any combination of cash or shares, up to the overall limits shown. The £4,000 LISA limit is part of the general ISA limit of £20,000, not additional to it.
2. Taxpayers aged between 18 and 40 may open a LISA and invest up to £4,000 each year, which qualifies for a 25% Government bonus on amounts invested up to the age of 50.
3. This benefit is retained as long as the money is either
 - put towards a first home costing up to £450,000, or
 - kept in the account until reaching age 60, or
 - withdrawn after being diagnosed with a terminal illness.
4. If the money in a LISA is withdrawn in other circumstances, the bonus will be clawed back with an additional 5% charge.
5. Junior ISA, with an investment limit of £9,000 (2019/20: £4,368), is available to those aged under 18 and who don't have a Child Trust Fund account. At age 18, their junior ISA becomes an adult ISA.
6. Amounts invested above £1m in the EIS must be in 'knowledge-intensive' companies.
7. EIS, VCT and SITR investments attract 30% Income Tax relief, but those schemes all have different qualifying rules.
8. SEIS investments attract 50% Income Tax relief.
9. Where the disposal proceeds from any capital gain are reinvested under EIS or SITR in the four-year period that starts one year before the date of the gain, all or part of the original gain can be deferred.

- Gains reinvested under SEIS, within the same tax year, up to the investment limit attract 50% exemption from CGT.
- Investments made under EIS, SEIS and SITR can be carried back to be treated as made in the previous tax year, subject to the investment limits.
- Disposals of investments acquired under EIS, SEIS, SITR or VCT are exempt from CGT if investment conditions have not been broken.

National Insurance Contributions (NIC)

Class 1 NIC thresholds 2020/21

| | Week | Month | Year |
|---------------------------------|------|-------|--------|
| Lower Earnings Limit (LEL) | £120 | £520 | £6,240 |
| Primary Threshold (PT) | 183 | 792 | 9,500 |
| Secondary Threshold (ST) | 169 | 732 | 8,788 |
| Upper Secondary Threshold (UST) | 962 | 4,167 | 50,000 |
| Upper Earnings Limit (UEL) | 962 | 4,167 | 50,000 |

Notes

- Employers and employees both contribute at rates dependent on the level of earnings during a weekly, monthly or annual earnings period.
- No employee NIC are payable on earnings between the LEL and the PT, but when reported by the employer, the employee receives credit towards the State Pension.

Class 1 NIC rates 2020/21

| | Employee | Employer |
|---------------|----------|----------|
| PT/ST to UEL | 12% | 13.8% |
| Above the UEL | 2% | 13.8% |
| Class 1A/1B | N/A | 13.8% |

Notes

- No employee NIC are payable once the employee reaches state retirement age, but employer NIC continue to be payable.
- No employer NIC are payable on earnings up to the UST for employees aged under 21, or apprentices aged under 25, at the date of the payment.
- A person with more than one employment can defer the payment of some employee NIC until after the end of the tax year. The total amount payable is then checked and limited, so the full 12% rate is only applied to income between the PT and the UEL.
- An 'employment allowance' of £4,000 per qualifying business gives exemption from Class 1 Employer NIC. Some businesses are excluded, including certain sole director companies and employers who have an employer's NIC liability of £100,000 or more for 2019/20. Employee NIC are unaffected.
- Employer contributions (at 13.8%) are also due on most taxable benefits (Class 1A) and on the amount chargeable to income tax under a PAYE settlement agreement (Class 1B).

Class 2 NIC

| Rate per week | 2020/21 | 2019/20 |
|-------------------------------|---------|---------|
| Flat rate | £3.05 | £3.00 |
| Small Profits Threshold (SPT) | 6,475 | 6,365 |

Note

Self employed people pay Class 2 NIC if their profits exceed the SPT for the tax year and can pay voluntarily if profits are below that level.

Class 3 NIC

| Rate per week | 2020/21 | 2019/20 |
|---------------|---------|---------|
| Flat rate | £15.30 | £15.00 |

Note

Anyone who wants to maintain State Pension rights may pay voluntary Class 3 NIC.

Class 4 NIC

| Annual | 2020/21 | 2019/20 |
|---------------------------|---------|---------|
| Lower profits limit (LPL) | £9,500 | £8,632 |
| Upper profits limit (UPL) | 50,000 | 50,000 |
| LPL to UPL | 9.0% | 9.0% |
| Above UPL | 2.0% | 2.0% |

Notes

1. Class 4 NIC are payable on profits from UK trades or professions that exceed the lower profits limit.
2. Both Class 2 and Class 4 NIC are collected through self assessment.
3. An individual who is both employed and self employed may pay Class 1, Class 2 and Class 4 NIC, subject to the maximum limit for the year.

Employee Benefits**Car benefit 2020/21**

| CO ₂ g/km | Electric Range miles | Petrol cars first registered | |
|-------------------------|----------------------------|------------------------------|------------------------|
| | | Pre 6.04.2020 % | Post 5.04.2020 % |
| 0 | N/A | 0 | 0 |
| 1-50 | >130 | 2 | 0 |
| 1-50 | 70 - 129 | 5 | 3 |
| 1-50 | 40 - 69 | 8 | 6 |
| 1-50 | 30 - 39 | 12 | 10 |
| 1-50 | <30 | 14 | 12 |
| 51-54 | N/A | 15 | 13 |

Then a further 1% for each 5g/km CO₂ emissions, up to a maximum of 37%.

Notes

1. Where the car is provided by the employer, the employee is taxed on the 'cash equivalent', calculated as a percentage (see table) of the vehicle's chargeable value.
2. The chargeable value is the vehicle's list price when new plus the cost of most accessories added, less any capital contribution of up to £5,000 from the employee.
3. The employer must also pay Class 1A NIC at 13.8% on the cash equivalent amount of the benefit.
4. Diesel cars that are not RDE2 standard suffer a 4% supplement on the table's figures, but are still capped at 37%

Car fuel benefit

| | 2020/21 | 2019/20 |
|--------------------|---------|---------|
| Benefit multiplier | £24,500 | £24,100 |

Notes

1. Where fuel is provided by the employer for private use in a company car, the percentage used to calculate the car benefit is applied to the benefit multiplier in order to determine the taxable benefit.
2. The benefit is charged without reduction for contributions by the employee, unless all private fuel is paid for (in which case there is no benefit). This must be done by 6 July following the end of the tax year, unless the fuel benefit is "payrolled", in which case the deadline is 1 June following the end of the tax year.
3. Where the employer provides the car and the employee provides the fuel, HMRC's advisory fuel mileage rates can be used to reimburse the cost of fuel used on business journeys. Those rates are updated each quarter and published at www.gov.uk/government/publications/advisory-fuel-rates.

Van benefits

| | 2020/21 | 2019/20 |
|--------------------|---------|---------|
| Ordinary van | £3,490 | £3,430 |
| Zero emissions van | 2,792 | 2,058 |
| Fuel benefit | 666 | 655 |

Note

If the private use of a van is restricted to home-to-work travel, there is no taxable benefit, unlike for company cars.

| Employment-related loans | 2020/21 | 2019/20 |
|---------------------------------|---------|---------|
| Official Rate of Interest (ORI) | 2.25% | 2.50% |

Notes

1. Where a director or employee receives a loan from an employer that exceeds £10,000 at any point in the tax year, interest of at least the ORI must be paid to avoid a benefit charge. There must also be a contractual obligation to pay that interest.
2. Where a benefit arises, the excess of the ORI over the actual interest paid must be applied to the value of the loan to calculate the benefit.
3. Loans from a close company to shareholders of the company may also generate a tax charge for the company.

Tax-free mileage allowances

| Employee's own transport | per business mile |
|--------------------------|-------------------|
| Cars, first 10,000 miles | 45p |
| Cars, over 10,000 miles | 25p |
| Business passengers | 5p |
| Motorcycle | 24p |
| Bicycle | 20p |

Notes

1. Passenger must be completing the same business journey.
2. For all except the business passengers' allowance, if the employer does not pay the full mileage rate, the employee can claim tax relief on any shortfall from HMRC.

Childcare vouchers and Tax-free Childcare (TFC)

Childcare vouchers - weekly exempt amount

| | 2020/21 | 2019/20 |
|--------------------------|---------|---------|
| Basic rate taxpayer | £55 | £55 |
| Higher rate taxpayer | 28 | 28 |
| Additional rate taxpayer | 25 | 25 |

Notes

1. The employer-provided childcare voucher scheme closed to new entrants on 5 October 2018.
2. Employees who joined the scheme before 6 April 2011, and are still employed by that employer, continue to receive a benefit of £55 per week, whatever their marginal rate of tax.
3. Tax-free Childcare (TFC) accounts are now available to all eligible parents. You cannot use TFC if you are receiving childcare vouchers.
4. Under TFC, where both parents work and earn a specified minimum income (but neither earns more than £100,000 per year), they are able to put up to £8,000 a year per child into an account, which the Government will top up with 25p for every £1 contributed by the parents.
5. A TFC account can be used to pay for childcare for a child aged 11 and under, except for disabled children, where the limits are doubled and contributions can continue up to the age of 17.
6. Unlike the voucher scheme, TFC is available to the self employed.

Employee share schemes

Type of share scheme

Tax advantages

Share Incentive Plan (SIP)

Free shares worth up to £3,600 pa. Employee can buy up to £1,800 pa out of pre-tax pay. Employer can match each share bought with up to two more.

If shares left in the scheme for at least five years: no Income Tax or CGT on the value when they leave the scheme. Gains on disposal are subject to CGT.

Enterprise Management Incentive (EMI)

Trading companies with fewer than 250 employees and assets up to £30m can grant options to selected employees to buy up to £250,000 worth of shares.

No Income Tax or NIC if option is exercised within ten years of option grant. Shares qualify for 10% rate of CGT on disposal if grant is at least two years before disposal.

Company Share Option Plan (CSOP)

Share options to buy up to £30,000 of shares can be granted to employees.

No Income Tax or NIC if option is exercised between three and ten years of grant. Gains on disposal are subject to CGT.

Save As You Earn (SAYE)

Employees contribute up to £500 a month to a savings scheme, and use money to exercise share options.

No Income Tax or NIC if option is exercised three years or more after the grant of option. Gains on disposal are subject to CGT.

Notes

1. Generally, employees are charged to Income Tax on the value of shares that they are given or are issued to them by their employer, less any amount paid for the shares. NIC are also charged if the company is quoted, or the shares can be easily sold. If the employer operates one of the above tax-advantage schemes, the tax charges may be eliminated, reduced or deferred.
2. The employer must register the share scheme with HMRC, using the online Employment Related Securities (ERS) system, by 6 July following the end of the tax year in which the scheme is implemented.
3. Employers must file an annual return for each share scheme online through ERS by 6 July each year.
4. The above is a very brief summary of the main tax-advantaged share schemes; other conditions apply.

Main exempt benefits

| Benefit item | Limit of exemption |
|--|---|
| Mobile phone | One per employee |
| Subsidised meals | For all employees in a staff canteen |
| Free parking at or near the employee's place of work | None |
| Pension contributions | Annual allowance (see Investment Reliefs) |
| Personal incidental expenses when staying away from home | £5 per night, £10 if abroad |
| Qualifying relocation expenses | £8,000 per employee per move |

Capital Gains Tax

Annual Exempt Amount (AEA)

| | 2020/21 | 2019/20 |
|----------------------------------|---------|---------|
| Individuals and deceased estates | £12,300 | £12,000 |
| Most trusts | 6,150 | 6,000 |

Notes

1. Each individual is entitled to an AEA, but that exemption may be denied if they claim the remittance basis (see Personal Taxation).
2. The AEA cannot be transferred, nor carried forward or back to another tax year.

Tax rate

| | 2020/21 & 2019/20 | |
|-------------------------------|----------------------|-------|
| | Residential property | Other |
| Individuals | | |
| – to limit of basic rate band | 18% | 10% |
| – above basic rate band | 28% | 20% |
| Trusts and deceased estates | 28% | 20% |

Notes

1. CGT is payable on capital gains made in the tax year, after deduction of capital losses, available reliefs and the AEA.
2. Receipts of carried interest by venture capital investors are taxed at the same rates as residential property.
3. There is no CGT on gains accrued to the date of a taxpayer's death.

- There is no charge on disposals between spouses or registered civil partners who are living together. On such disposals, the transferee takes over the transferor's CGT cost.
- When a chargeable asset is given away, the donor is treated as receiving the full market value and is liable for CGT accordingly.
- CGT is normally payable on 31 January following the end of the tax year of disposal (e.g. 31 January 2022 for 2020/21) as part of the self assessment process. However, for disposals from 6 April 2020, CGT on UK residential property is due within 30 days of completion of sale.
- Non-residents disposing of any UK land and buildings must pay CGT within 30 days of completion (except for 2019/20, if they were already within self assessment).

| Entrepreneurs' Relief (ER) | 2020/21 | 2019/20 |
|-----------------------------------|---------|---------|
| Lifetime limit | £1m | Note 1 |
| CGT on qualifying disposals | 10% | 10% |

Notes

- For 2019/20 the lifetime limit was £10m for disposals pre 11.3.2020 and £1m thereafter.
- Disposals made by individuals or certain trustees can qualify for ER.
- The asset disposed of must have been owned for at least two years and be one of:
 - a business or an interest in a business
 - business assets sold within three years of the business ceasing
 - shares in a trading company, of which the individual is an officer or employee and either holds at least 5% of the ordinary share capital or acquired the shares under an EMI scheme; other detailed conditions apply
 - assets used by the shareholder's personal company or partnership and sold at around the same time as 5% or more of either the company's shares or the partnership interest.

| Investors' relief | 2020/21 | 2019/20 |
|--------------------------|---------|---------|
| Lifetime limit | £10m | £10m |

Notes

- This relief gives a 10% CGT rate to certain investors in qualifying unquoted trading companies.
- Investors cannot be a paid director or employee of the company (but can become an employee 6 months or more after acquiring the shares) and must hold newly issued shares (acquired on/after 17 March 2016) for a minimum period of 3 years beginning on/after 6 April 2016.

Other CGT reliefs

Asset

Taxpayer's only or main home

Chattels (tangible movable property)

Gifts to charity

Assets which become of negligible value

Conditions

Gain is exempt for the periods the taxpayer lives there, or is deemed to live there, plus the last 9 months of ownership.

If bought and sold for less than £6,000.

Not charged to CGT, and gifts of quoted shares and land also enjoy an income tax relief.

Deemed to be sold at nil, to create loss, when an election is made.

Corporation Tax (CT)

| Rates from | 1.4.2020 | 1.4.2019 |
|----------------------|----------|----------|
| Corporation Tax rate | 19% | 19% |

Notes

1. Most companies must pay their Corporation Tax within nine months and a day after the end of the accounting period.
2. Large companies or groups generally make four quarterly payments on account of Corporation Tax, starting in either the third or seventh month after the start of a 12-month accounting period, depending on level of profits. Interest runs on any underpayments until final settlement of the period's liability.
3. All companies must file Corporation Tax returns online within 12 months of the end of the accounting period.

Research and Development

| | 1.4.2020 | 1.4.2019 |
|---|----------|----------|
| SME enhanced deduction | 130% | 130% |
| Large company R&D Expenditure Credit (RDEC) | 13% | 12% |

Notes

1. The above enhanced deduction is for qualifying revenue expenditure on qualifying R&D projects; various conditions apply to both terms.
2. Where an SME makes a loss attributable to R&D expenditure it can surrender that loss for a payable tax credit worth 14.5% of the loss.
3. RDEC is a taxable expenditure credit for qualifying R&D.

Special reliefs

Area

Intangible assets: goodwill, know-how and patent rights

Profits from goods/services deriving from a patent generated by the entity

Certain creative industries, including those producing films or videos games

Relief

Deduction given according to depreciation in the accounts, unless the circumstances in Notes 1 - 3 below apply.

10% rate of CT.

Enhanced deductions for certain expenditure and losses surrendered for payable tax credits.

Notes

1. No deduction for goodwill arising on incorporations from 3.12.14.
2. No deduction for other purchased goodwill acquired from 8.7.15 to 5.4.19.
3. Deduction at 6.5% pa for purchased goodwill and certain customer-related intangibles from 6.4.19, but qualifying amount limited to 6 x qualifying intellectual property purchased at the same time.
4. The above is a brief summary of selected reliefs available to companies; other conditions apply in each case.

Business Tax

| Cash basis | 2020/21 | 2019/20 |
|--|----------|----------|
| Entry threshold – turnover up to: | £150,000 | £150,000 |
| Exit threshold – turnover not more than: | 300,000 | 300,000 |

Notes

1. Unincorporated trading businesses with annual turnover within the above limits can choose to calculate taxable profits on the 'cash basis' – income received and expenditure paid, rather than invoiced or accrued.
2. Deduction for loan interest is limited to £500 per year.
3. Losses can only be carried forward.
4. Certain businesses are not permitted to use the cash basis, including: farmers using the herd basis, persons using profit averaging, and LLPs.
5. Unincorporated property businesses can use the cash basis. The key differences to the rules for trading businesses are:
 - the entry and exit thresholds are both £150,000;
 - cash basis is the default position for such businesses, but they can elect to use accrual accounting;
 - there is no £500 restriction on interest costs.

Flat rate deductions

| Item used for business | | Permitted deduction |
|--|-----------------------|------------------------|
| Taxpayer's car or goods vehicle | Up to 10,000 miles pa | 45p/mile |
| | Over 10,000 miles pa | 25p/mile |
| Taxpayer's home (use per month) | 25 - 50 hours | £10/month |
| | 51 - 100 hours | £18/month |
| | 101 hours or more | £26/month |
| Business premises partly used as home (e.g. public house or B&B) | | Private use adjustment |
| | 1 occupant | £350/month |
| | 2 occupants | £500/month |
| | 3 or more occupants | £650/month |

Notes

1. Unincorporated businesses can choose the above fixed rate deductions to use instead of calculating the business proportion of actual expenditure.
2. Use of home deduction covers power, internet, telephone, but not council tax or mortgage interest.
3. Use of vehicle does not cover finance element of lease or hire purchase costs for vehicle.
4. Use of business premises amounts are deducted from the actual expenses of running the building so that the personal costs of resident business owners are excluded.

Capital allowances

| Plant and machinery allowances | | Rate |
|--|------------|------|
| Annual Investment Allowance (AIA) | | |
| – expenditure 1.1.19 - 31.12.20 | £1,000,000 | 100% |
| – expenditure pre 1.1.19 and post 31.12.20 | £200,000 | 100% |
| Energy/water-efficient equipment bought pre 1/6 April 2020 | | 100% |
| Writing down allowance: general pool (reducing balance) | | 18% |
| Writing down allowance: special rate pool (reducing balance) | | 6% |

Notes

1. Neither capital expenditure nor depreciation is generally allowed as an expense.
2. The writing down allowance (WDA) spreads the cost over several years, and is not related to the accounting depreciation.
3. Special rate pool includes long life assets, plant integral to buildings and thermal insulation. The WDA on this pool was 8% pa prior to 1 April 2019 (companies) and 6 April 2019 (unincorporated businesses and LLPs). A time-apportioned rate of WDA is calculated for accounting periods straddling the change date.

Motor cars purchased

| | From 1.4.18 CO ₂ (g/km) | Allowance |
|----------------------|--|-----------|
| New cars only | up to 50 | 100% |
| In general pool | up to 110 | 18% pa |
| In special rate pool | above 110 | 6% pa |

Notes

1. Unincorporated businesses: the allowance is reduced for private use of the car.
2. The 100% allowance for new cars with CO₂ emissions up to 50g/km is due to end on 31 March 2021, except for zero emissions cars.

Structures and buildings allowances (SBA)

| | |
|---|----|
| From 29.10.18 to 31.3.20 (companies) or 5.4.20 (others) | 2% |
| From 1.4.20 (companies) or 6.4.20 (others) | 3% |

Notes

1. The SBA is available on commercial buildings and structures used for a qualifying purpose. It is not available on residences, nor on the cost of land itself.
2. This allowance is a straight-line deduction per annum.

Property Taxes**Annual Tax on Enveloped Dwellings (ATED)**

| Property value | Annual charge to | |
|----------------|------------------|-----------|
| | 31.3.2021 | 31.3.2020 |
| £0.5m - £1m | £3,700 | £3,650 |
| £1m - £2m | 7,500 | 7,400 |
| £2m - £5m | 25,200 | 24,800 |
| £5m - £10m | 58,850 | 57,900 |
| £10m - £20m | 118,050 | 116,100 |
| Over £20m | 236,250 | 232,350 |

Notes

1. The ATED applies to 'high value' residential properties owned via a corporate structure, unless the property is used for a qualifying purpose.
2. There are many reliefs that can remove or reduce the charge, but in order to claim a relief, a Relief Declaration Return (RDR) must be submitted.
3. The ATED return, RDR and any tax due must generally reach HMRC by 30 April within the relevant year.

Stamp Duty Land Tax (SDLT)

Residential property

| Purchase price | Rate on band |
|---------------------|--------------|
| Up to £125,000 | Nil |
| £125,001 - £250,000 | 2% |
| £250,001 - £925,000 | 5% |
| £925,001 - £1.5m | 10% |
| Over £1.5m | 12% |

Notes

1. A supplement of 3% of the total purchase price applies where someone owning one or more residences acquires an additional residence for more than £40,000, unless they are replacing their main residence. It also applies to all corporate purchasers. A supplement also applies to LBTT and LTT (see below) at, respectively, 4% and 3% of total purchase price.
2. First-time buyers purchasing a property for up to £500,000 pay SDLT at a nil rate on the first £300,000 of the price.
3. Where purchaser is a company (or partnership including a corporate member) and price is over £500,000, SDLT is 15% of total purchase price, if exemptions or reliefs do not apply.
4. New leases with a net present value of rents exceeding £125,000 attract SDLT of 1% of that excess.

Commercial property

| Purchase price for freehold | Rate on band |
|-------------------------------------|--------------|
| Up to £150,000 | Nil |
| Between £150,001 and £250,000 | 2% |
| Over £250,000 | 5% |
| Net present value of rent for lease | Rate on band |
| Up to £150,000 | Nil |
| Between £150,001 and £5m | 1% |
| Over £5m | 2% |

Note

New leases with an NPV of rents exceeding £150,000 attract SDLT of 1% up to an NPV of £5m, when the rate increases to 2%.

Land and Buildings Transaction Tax (LBTT) - Scotland

Residential property

| Purchase price | Rate on band |
|---------------------|--------------|
| Up to £145,000 | Nil |
| £145,001 - £250,000 | 2% |
| £250,001 - £325,000 | 5% |
| £325,001 - £750,000 | 10% |
| Over £750,000 | 12% |

Note

For first-time buyers, the nil band is extended to £175,000.

Commercial property

| Purchase price | Rate on band |
|---------------------|--------------|
| Up to £150,000 | Nil |
| £150,001 - £250,000 | 1% |
| Over £250,000 | 5% |

Notes

1. The above rates of LBTT also apply to any lease premium on commercial properties.
2. New Leases with an NPV of rents exceeding £150,000 attract LBTT of 1% up to an NPV of £2m, when the rate increases to 2%.

Land and Buildings Transaction Tax (LTT) - Wales**Residential property**

| Purchase price | Rate on band |
|---------------------|--------------|
| Up to £180,000 | Nil |
| £180,001 - £250,000 | 3.5% |
| £250,001 - £400,000 | 5% |
| £400,001 - £750,000 | 7.5% |
| £750,001 - £1.5m | 10% |
| Over £1.5m | 12% |

Commercial property

| Purchase price for freehold | Rate on band |
|-----------------------------|--------------|
| Up to £150,000 | Nil |
| £150,001 - £250,000 | 1% |
| Between £250,001 and £1m | 5% |
| Above £1m | 6% |

| Net present value of rent for lease | Rate on band |
|-------------------------------------|--------------|
| Up to £150,000 | Nil |
| Between £150,001 and £2m | 1% |
| Over £2m | 2% |

Value Added Tax**VAT rates**

| | VAT rate | VAT fraction |
|-----------------------|----------|--------------|
| Standard rate | 20% | 1/6 |
| Lower or reduced rate | 5% | 1/21 |
| Zero rate | 0% | – |

Notes

1. Lower rate applies to a small range of supplies, including domestic fuel and power and some conversions of residential property.
2. Zero rate applies to a range of supplies, including some types of food, books and newspapers, new houses and children's clothes. It is being extended to e-books and online newspapers and journals from 1.12.20. VAT is charged at a zero rate to the customer, but the supplier can recover VAT on costs.
3. Exempt supplies include many land-related supplies, insurance, finance, education, health and welfare, and non-profit sports clubs. No VAT is charged to the customer, but the supplier can't recover VAT on costs.

VAT thresholds

| From | 1.4.2020 | 1.4.2019 |
|-------------------------------|----------|----------|
| Registration | | |
| – Turnover for last 12 months | £85,000 | £85,000 |
| Deregistration | | |
| – Turnover next 12 months | 83,000 | 83,000 |

Notes

1. An unregistered business must register for VAT if it has made taxable supplies that equal or exceed the registration threshold in the last 12 months, up to any month-end, or if it expects to exceed that threshold in the next 30 days alone. Taxable supplies include reduced rate and zero-rated sales.
2. A VAT-registered business can apply to deregister if it can satisfy HMRC that taxable supplies in the next year will not exceed the deregistration threshold.
3. The vast majority of businesses above the compulsory registration threshold must comply with the Making Tax Digital (MTD) provisions. These mean that businesses will have to keep their records digitally for VAT and provide VAT return information through MTD functional compatible software.
4. Most VAT returns are prepared for three-month periods, and must be filed electronically within seven days of the end of the month following the return period.
5. Payment of VAT must be made electronically, and must be received by HMRC by the same deadline as the return or be paid by direct debit.
6. From 1 October 2020, a construction industry business making a supply to another such business will not usually charge output tax. Instead, the customer will account for the output tax itself through the reverse charge mechanism.
7. If you supply automated digital or broadcasting services to non-businesses customers in other EU countries, you may need to be registered for and charge VAT in the other country.

Small business schemes

| Annual turnover | Joining | Leaving |
|------------------------|-----------|-----------|
| Flat-rate scheme (FRS) | £150,000 | £230,000 |
| Annual accounting | 1,350,000 | 1,600,000 |
| Cash accounting | 1,350,000 | 1,600,000 |

Notes

1. When using FRS, the VAT paid to HMRC by the business is a fixed percentage (based on business category) of 'FRS turnover' rather than the net of output tax over input tax.
2. Businesses in first year of VAT registration are entitled to a 1% discount on the normal FRS percentage for their business category.
3. Under FRS, input VAT is not recoverable, unless it relates to the purchase of a capital asset costing £2,000 or more (including VAT).
4. Under annual accounting, the business files a single VAT return each year instead of one every three months.
5. When using the cash accounting scheme, the business only pays VAT to HMRC when its customers have paid the business, but it can only recover VAT on expenses actually paid for, rather than accrued.

Inheritance Tax (IHT)

| Rates and thresholds from | 2020/21 | 2019/20 |
|--|----------|----------|
| Nil Rate Band (NRB) | £325,000 | £325,000 |
| Residential enhancement (RNRB) | 175,000 | 150,000 |
| Tax paid on legacies on death | 40% | 40% |
| Tax paid if at least 10% of net estate is left to charity on death | 36% | 36% |
| Gifts made up to seven years before death (see lifetime gifts) | 40% | 40% |
| Chargeable lifetime transfers to trusts | 20% | 20% |

Notes

1. RNRB is available for transfers of a main residence (or assets of an equivalent value if the main residence has been sold) to direct descendants. It tapers away at the rate of £1 for every £2 of estate value above £2m
2. Up to 100% of the proportion of a deceased spouse's/civil partner's unused NRB and RNRB may be claimed to increment the current NRB and RNRB when the survivor dies.
3. Gifts or legacies to charities are not charged to IHT.
4. IHT due on a deceased's estate and on gifts within seven years of death is generally due six months after the month of death, but in practice it must be paid before probate is granted.
5. If the donor pays the IHT due on a chargeable lifetime transfer to a trust, the effective rate is 25%.
6. IHT on chargeable lifetime transfers to trusts is payable within 6 months from the end of the month of transfer.

Lifetime gifts

Reduced tax charge on gifts up to seven years before death

| Years before death | 0 - 3 | 3 - 4 | 4 - 5 | 5 - 6 | 6 - 7 |
|--|-------|-------|-------|-------|-------|
| Percentage of IHT death charge payable | 100% | 80% | 60% | 40% | 20% |

Note

Lifetime gifts between individuals ('potentially exempt transfers') are only charged to IHT if the donor dies within seven years of the gift.

Exempt gifts

Amount of relief Conditions

| | |
|-----------|---|
| £3,000 pa | Amount per donor; unused exemption can be carried forward one year |
| £250 pa | De minimis amount per recipient |
| Unlimited | Regular gifts out of surplus income |
| Unlimited | To UK domiciled spouse or civil partner |
| £325,000 | To non-domiciled spouse/civil partner (lifetime limit) |
| £5,000 | From parent of party to a marriage |
| £2,500 | From a grandparent (or remoter ancestor) of a party to a marriage, or from one party of a marriage to the other |
| £1,000 | From any other person to a party to a marriage |

Note

Exemptions for gifts on marriage apply also to civil partnerships.

Business and agricultural property

| Amount of relief | Property and conditions |
|------------------|---|
| 100% | All shareholdings in unquoted trading companies; an unincorporated business or interest in such a business |
| 50% | Controlling shareholding in quoted company; land and buildings used by either a trading company controlled by the owner, or a partnership where he is a partner |
| 100% | Agricultural value of qualifying farmland and buildings |

Note

In all cases the property must have been owned for at least two years; other conditions apply.

Trusts

Tax rates

| Type of trust | 2020/21 | |
|----------------------------------|---------------|---------------|
| | Life interest | Discretionary |
| Rate on dividend income | 7.5% | 38.1% |
| Rate on other income | 20% | 45% |
| CGT rate on residential property | 28% | 28% |
| CGT rate on other gains | 20% | 20% |
| CGT annual exemption | £6,150 | £6,150 |

Notes

- Trustees are liable to Income Tax on the trust income, CGT on the trust gains and, in some circumstances, IHT.
- Discretionary trusts pay tax at 7.5% or 20% on income used to pay trust expenses and on another £1,000 of income, before paying at the main rates (38.1% or 45%).
- Discretionary trusts for vulnerable beneficiaries (such as disabled people) may reduce their effective tax rates if an election is made.
- The CGT annual exempt amount (£6,150) is divided between trusts established by the same settlor since 6.6.1978, to a minimum of £1,200.
- Trustees are liable to pay IHT in a variety of circumstances; appropriate professional advice is essential.
- Beneficiaries of life interest trusts ('liferent' trusts in Scotland) are treated as entitled to the income of the trustees, and pay tax on it in the year it arises to the trust, with a credit for tax paid by the trustees.
- Beneficiaries of discretionary trusts pay tax on income distributed to them by the trustees, which is treated as paid with a tax credit of $\frac{9}{11}$ of the cash received (i.e. a £45 tax credit for every £55 of income distributed).

Key deadlines

Payment deadlines

Self assessment

| | | 2020/21 | 2019/20 |
|------------------------|------------|---------|---------|
| 1st payment on account | 31 January | 2021 | 2020 |
| 2nd payment on account | 31 July | 2021 | 2020 |
| Balancing payment | 31 January | 2022 | 2021 |
| Capital Gains Tax | 31 January | 2022 | 2021 |

National Insurance

| | | | |
|--------------|------------|------|------|
| Class 1A NIC | 19 July | 2021 | 2020 |
| Class 1B NIC | 19 October | 2021 | 2020 |

Notes

1. Payments on account for 2020/21 are based on 2019/20 self-assessed Income Tax and Class 4 NIC. The balancing payment includes Class 2 NIC.
2. Missing any payment dates leads to interest being charged at 3.25%.
3. Missing the balancing payment date by 30 days will lead to a 5% penalty.
4. When the balancing payment is 6 and 12 months late, further 5% penalties apply on each occasion.
5. Employment income is charged to both Income Tax and to Class 1 NIC.
6. Tax and NIC are normally paid by the employer through the PAYE system, under which the PAYE code makes adjustments for tax reliefs due and some tax due on other income.
7. Where a payment date is the 19th of the month, any cheque must reach HMRC by that date, or the business day preceding it (if the 19th falls on a week-end or Bank Holiday). Online payments can reach HMRC by 22nd of the month without incurring interest.
8. An employee who has overpaid or underpaid tax at the end of the year will normally receive a tax calculation from HMRC on form P800 and shortly afterwards receive a tax repayment, or be asked to pay any tax due.
9. Where taxpayers submit their self assessment tax return by 30 December following the tax year, they can request that underpaid tax of up to £3,000 is collected through their PAYE code in the following tax year.
10. CGT payment deadlines for UK land and buildings have special rules. See page 11.

Filing deadlines

For tax year

| | 2019/20 |
|---|-----------------|
| Issue P60s to employees | 31 May 2020 |
| P11D and P11D(b) | 6 July 2020 |
| Paper version of self assessment return | 31 October 2020 |
| Online self assessment return | 31 January 2021 |

Notes

1. A late filing penalty of £100 will be issued if the self assessment return is not submitted within the deadlines indicated above. This applies even if no tax is due.
2. Further late filing penalties are due if the self assessment return is more than 3, 6 and 12 months late.
3. CGT filing deadlines for UK land and buildings have special rules. See page 11.

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