

hedley dunk

chartered accountants

TAX RATES
2019 2020

Income Tax

Allowances

| | 2019/20 | 2018/19 |
|--------------------------|---------|---------|
| Personal Allowance (PA)* | £12,500 | £11,850 |
| Marriage Allowance† | 1,250 | 1,190 |
| Blind Person's Allowance | 2,450 | 2,390 |
| Rent a room relief** | 7,500 | 7,500 |
| Trading Income** | 1,000 | 1,000 |
| Property Income** | 1,000 | 1,000 |

*PA is withdrawn at £1 for every £2 by which 'adjusted income' exceeds £100,000. There is no allowance given above £125,000 (2018/19: £123,700).

† The part of the PA that is transferable to a spouse or civil partner who is not a higher or top rate taxpayer.

**If gross income exceeds it, the limit may be deducted instead of actual expenses.

Rate bands

| | 2019/20 | 2018/19 |
|----------------------------------|------------------|------------------|
| Basic Rate Band (BRB) | £37,500 | £34,500 |
| Higher Rate Band (HRB) | 37,501 – 150,000 | 34,501 – 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 (DA) | 2,000 | 2,000 |

BRB and additional rate threshold are increased by personal pension contributions (up to permitted limit) and Gift Aid donations.

Tax rates

| | 2019/20 & 2018/19 | | |
|-----------------|-------------------|-----|-------|
| | G | S | D |
| Basic rate | 20% | 20% | 7.5% |
| Higher rate | 40% | 40% | 32.5% |
| Additional rate | 45% | 45% | 38.1% |

General income (salary, pensions, business profits, rent) usually uses personal allowance, basic rate and higher rate bands before savings income (interest). Scottish taxpayers are taxed at different rates on general income (see below).

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%.

The PSA taxes interest at nil, where it would otherwise be taxable at 20% or 40%.

Dividends are normally taxed as the 'top slice' of income. The DA taxes the first £2,000 of dividend income at nil, rather than the rate that would otherwise apply.

Income tax - Scotland

| | | 2019/20 | 2018/19 |
|-------------------|-----|------------------|------------------|
| Starter rate | 19% | £2,049 | £2,000 |
| Basic rate | 20% | 2,050 – 12,444 | 2,001 – 12,150 |
| Intermediate rate | 21% | 12,445 – 30,930 | 12,151 – 31,580 |
| Higher rate | 41% | 30,931 – 150,000 | 31,581 – 150,000 |
| Top rate | 46% | over 150,000 | 150,000 |

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

High Income Child Benefit Charge (HICBC)

1% of child benefit for each £100 of adjusted net income between £50,000 and £60,000.

Income Tax (continued)

| Remittance basis charge | 2019/20 | 2018/19 |
|---|---------------------------|---------|
| For non-UK domiciled individuals who have been UK resident in at least: | | |
| 7 of the preceding 9 tax years | £30,000 | £30,000 |
| 12 of the preceding 14 tax years | 60,000 | 60,000 |
| 15 of the preceding 20 tax years | Deemed to be UK domiciled | |

Pensions

| Registered Pensions | 2019/20 | 2018/19 |
|-------------------------|------------|------------|
| Lifetime Allowance (LA) | £1,055,000 | £1,030,000 |
| Annual Allowance (AA)* | 40,000 | 40,000 |

Annual relievable pension inputs are the higher of earnings (capped at AA) or £3,600.

*Usually tapered (down to a minimum of £10,000) when adjusted income exceeds £150,000.

| State pension (per week) | 2019/20 | 2018/19 |
|-----------------------------------|---------|---------|
| Old state pension – Single person | £129.20 | £125.95 |
| – Married couple | 206.65 | 201.45 |
| New state pension† | 168.60 | 164.35 |

†Applies to those reaching state retirement age after 5 April 2016.

Annual investment limits

| | 2019/20 | 2018/19 |
|---|-----------|-----------|
| Individual Savings Account (ISA) | | |
| – Overall limit | £20,000 | £20,000 |
| – Lifetime ISA | 4,000 | 4,000 |
| Junior ISA | 4,368 | 4,260 |
| EIS* – 30% relief | 2,000,000 | 2,000,000 |
| EIS eligible for CGT deferral relief | Unlimited | Unlimited |
| Seed EIS (SEIS) – 50% relief | 100,000 | 100,000 |
| SEIS – 50% exemption for reinvested gains | 100,000 | 100,000 |
| Venture Capital Trust (VCT) – 30% relief | 200,000 | 200,000 |

*Amount over £1m must be invested in 'knowledge-intensive' companies.

National Insurance Contributions

| Class 1 (Employees) | Employee | Employer |
|-------------------------------------|----------|----------|
| Main NIC rate | 12% | 13.8% |
| No NIC on first | £166pw | £166pw |
| Main rate* charged up to | 962pw | no limit |
| 2% rate on earnings above | 962pw | N/A |
| Employment allowance per business** | N/A | 3,000 |

*Nil rate of employer NIC for employees under the age of 21 and apprentices under 25, up to £962pw.

**Some businesses do not qualify, including certain sole director companies.

Employer contributions (at 13.8%) are also due on most taxable benefits (Class 1A) and on tax paid on an employee's behalf under a PAYE settlement agreement (Class 1B).

National Insurance Contributions (continued)

Class 2 (Self employed)

| | |
|-------------------------|--------|
| Flat rate per week | £3 |
| Small profits threshold | £6,365 |

Class 3 (Voluntary)

| | |
|-----------------------------|-----|
| Class 3: Flat rate per week | £15 |
|-----------------------------|-----|

Class 4 (Self employed)

| | |
|-----------------------------|------|
| On profits £8,632 – £50,000 | 9.0% |
| On profits over £50,000 | 2.0% |

Vehicle Benefits

Cars

Taxable benefit: Chargeable value multiplied by chargeable %.

Chargeable value: Initial list price of car (including most accessories), reduced by any capital contribution (maximum £5,000) by employee when the car is first made available.

Chargeable percentage:

| CO ₂ emissions g/km* | Petrol | Diesel |
|---------------------------------|------------------------|--------|
| 0-50 | 16% | 20% |
| 51-75 | 19% | 23% |
| 76-94 | 22% | 26% |
| Above 94 | Add 1% for every 5g/km | |
| Above 164 (petrol)/144 (diesel) | 37% maximum | |

*The percentages for petrol cars apply to diesel cars that meet the RDE2 standard.

Vans

Chargeable value of £3,430 (2018/19 £3,350) if private use is more than home-to-work. Electric vans £2,058 (2018/19 £1,340).

Fuel

Employer provides fuel for private motoring in an employer-owned:

Car: CO₂-based percentage from above table multiplied by £24,100 (2018/19 £23,400).

Van: £655 (2018/19 £633).

Employee contributions do not reduce taxable figure unless all private fuel is paid for by the employee (in which case there is no benefit charge).

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 |
| Motorcycles | 24p |
| Bicycles | 20p |

Capital Gains Tax

| | | |
|-----------------------------|----------------|----------------|
| Annual exempt amount | 2019/20 | 2018/19 |
| Individuals, estates | £12,000 | £11,700 |
| Most trusts | 6,000 | 5,850 |

Tax rate

| | | |
|--------------------------------------|-----|-----|
| Individual (to basic rate limit)* | 10% | 10% |
| Individual (above basic rate limit)* | 20% | 20% |
| Trusts, estates* | 20% | 20% |
| Entrepreneurs' Relief (ER)** | 10% | 10% |
| Investors' Relief (IR)** | 10% | N/A |

*Individuals are taxed at 18%/28% on gains on residential property and receipts of carried interest. Trusts and estates are taxed at 28% in these circumstances.

**Lifetime limit of £10m of qualifying gains. Various conditions apply.

Corporation Tax

| | | |
|----------------------|------------------|------------------|
| Year to | 31.3.2020 | 31.3.2019 |
| Corporation Tax rate | 19% | 19% |

Research and development relief

| | | |
|--|------|------|
| SME enhanced expenditure deduction scheme* | 130% | 130% |
| Large company R&D Expenditure Credit (RDEC) scheme** | 12% | 12% |

*Additional deduction for qualifying R&D.

**Taxable expenditure credit for qualifying R&D.

SMEs that make losses can surrender the deduction to HMRC in exchange for a payment of 14.5% of the loss.

Main 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 | 200,000 | 100% |
| Energy/water-efficient equipment | | 100% |
| Writing down allowance: general pool (reducing balance) | | 18% |
| Writing down allowance: special rate pool (reducing balance)* | | 6% |

Motor cars purchased

| | From 1.4.18 | 1.4.15 to 31.3.18 | Allowance |
|-----------------------|------------------------|--------------------------|------------------|
| | CO ₂ (g/km) | CO ₂ (g/km) | |
| New cars only | up to 50 | up to 75 | 100% |
| In general pool | up to 110 | up to 130 | 18% pa |
| In special rate pool* | above 110 | above 130 | 6% pa |

*8% pre 1.4.19 (companies) and pre 6.4.19 (businesses subject to income tax).

Structures and buildings allowance

| | |
|---|----|
| Expenditure from 29.10.18 (straight line basis) | 2% |
|---|----|

Property Taxes

Annual Tax on Enveloped Dwellings (ATED)

ATED applies to residential properties valued at more than £500,000 owned by a corporate structure, unless used for a qualifying purpose.

| Property value | Annual charge to | 31.3.2020 | 31.3.2019 |
|----------------|------------------|-----------|-----------|
| £0.5m – £1m | | £3,650 | £3,600 |
| £1m – £2m | | 7,400 | 7,250 |
| £2m – £5m | | 24,800 | 24,250 |
| £5m – £10m | | 57,900 | 56,550 |
| £10m – £20m | | 116,100 | 113,400 |
| Over £20m | | 232,350 | 226,950 |

Stamp Duty Land Tax (SDLT), Land and Buildings Transaction Tax (LBTT) and Land Transaction Tax (LTT)

Residential property (1st property only)

| SDLT - England & NI | Rate | LBTT - Scotland | Rate | LTT - Wales | Rate |
|---------------------|------|-----------------|------|-------------|-------|
| £000 | | £000 | | £000 | |
| Up to 125 | Nil | Up to 145 | Nil | Up to 180 | Nil |
| 125 – 250 | 2% | 145 – 250 | 2% | 180 – 250 | 3.5% |
| 250 – 925 | 5% | 250 – 325 | 5% | 250 – 400 | 5.0% |
| 925 – 1,500 | 10% | 325 – 750 | 10% | 400 – 750 | 7.5% |
| Over 1,500 | 12% | Over 750 | 12% | 750 – 1,500 | 10.0% |
| | | | | Over 1,500 | 12.0% |

A supplement applies for all three taxes where an additional residential property is purchased for more than £40,000 (unless replacing a main residence). It is also payable by all corporate purchasers. The rate is 3% (LBTT: 4%) of the total purchase price.

For SDLT:

– First-time buyers purchasing a property of up to £500,000 pay a nil rate on the first £300,000 of the purchase price.

– A rate of 15% may apply to the total purchase price, where the property is valued above £500,000 and purchased by a 'non-natural person' (e.g. a company).

For LBTT, first-time buyer relief increases the nil rate band to £175,000.

Non-residential or mixed use property

| SDLT - England & NI | Rate | LBTT - Scotland | Rate | LTT - Wales | Rate |
|---------------------|------|-----------------|------|-------------|------|
| £000 | | £000 | | £000 | |
| Up to 150 | Nil | Up to 150 | Nil | Up to 150 | Nil |
| 150 – 250 | 2% | 150 – 250 | 1% | 150 – 250 | 1% |
| Over 250 | 5% | Over 250 | 5% | 250 – 1,000 | 5% |
| | | | | Over 1,000 | 6% |

Value Added Tax

Standard rate (1/6 of VAT-inclusive price) 20%

Registration level from 1.4.2017 £85,000 per annum

Deregistration level from 1.4.2017 83,000 per annum

From 1.4.2019 most businesses above the registration threshold must comply with the Making Tax Digital requirements.

Flat Rate Scheme (FRS)

Annual taxable turnover to enter scheme Up to £150,000

Must leave scheme if annual gross turnover Exceeds £230,000

Inheritance Tax

| | 2019/20 | 2018/19 |
|---|----------|----------|
| Nil rate band (NRB)* | £325,000 | £325,000 |
| NRB Residential enhancement (RNRB)†* | 150,000 | 125,000 |
| Tax rate on death** | 40% | 40% |
| Tax rate on lifetime transfers to most trusts | 20% | 20% |

†RNRB is available for transfers of a main residence to direct descendants. It tapers away at the rate of £1 for every £2 of estate value above £2m.

*Up to 100% of the proportion of a deceased spouse's/civil partner's unused NRB and RNRB band may be claimed to increment the current NRB and RNRB when the survivor dies.

**Rate reduced to 36% if at least 10% of the relevant estate is left to charity.

Unlimited exemption for transfers between spouses/civil partners, except if UK domiciled transferor and foreign domiciled transferee, where maximum exemption £325,000.

100% Business Property Relief (BPR) for all shareholdings in qualifying unquoted trading companies, qualifying unincorporated trading businesses and certain farmland/buildings.

Reduced tax charge on gifts within 7 years before death

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

Annual exemptions for lifetime gifts include £3,000 per donor and £250 per recipient.

Key dates and deadlines

| Self Assessment payment dates | | 2019/20 | 2018/19 |
|-------------------------------|------------|---------|---------|
| 1st payment on account | 31 January | 2020 | 2019 |
| 2nd payment on account | 31 July | 2020 | 2019 |
| Balancing payment | 31 January | 2021 | 2020 |
| Capital Gains Tax* | 31 January | 2021 | 2020 |

*Non-residents with gains on UK residential property must pay CGT within 30 days of disposal unless already filing a self assessment tax return.

Other payment dates

| | | | |
|--------------|------------|------|------|
| Class 1A NIC | 19 July | 2020 | 2019 |
| Class 1B NIC | 19 October | 2020 | 2019 |

Corporation tax is due 9 months and 1 day from the end of the accounting period, unless a 'large' company paying by quarterly instalments.

2018/19 Filing deadlines

| | |
|--|------------------|
| Issue P60s to employees | 31 May 2019 |
| P11D, P11D(b) | 6 July 2019 |
| Self Assessment Tax Return (SATR) paper version | 31 October 2019 |
| Online SATR if outstanding tax to be included in 2020/21 PAYE code | 30 December 2019 |
| Online SATR | 31 January 2020 |

You are advised to consult us before acting on any information contained herein.

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