

Spring Budget 2020 Summary

In this Government's first budget and the first since the UK left the EU, the Chancellor, just four weeks in to his role, was faced with a number of challenges.

A lot of the material content of this Budget had been in respect of existing areas that had been foreseen. However the global economic effect that the current Coronavirus outbreak, combined with the devastating effect that flooding has had on certain areas of the UK has led to the need for all of these issues to also be incorporated, whilst ensuring this is a Budget that delivers on the promises made by the government to lay foundations for the UK's future prosperity.

What will be greeted with a sigh of relief for the financial services industry is there has only been a minimal amount of tinkering. It is widely hoped that the current uncertain economic climate will only be temporary in nature and that the situation will be a little more settled by the time the Autumn Budget comes around.

Our summary sets out the main changes to tax rates and allowances for individuals, companies and trustees. It also aims to identify other notable changes which may be of interest.

Here is a print friendly [**Spring Budget 2020 Summary**](#).

Income Tax

- The tax-free personal allowance will remain at £12,500 for 2020/2021.
- The higher and additional rate tax thresholds remain unchanged as do the starting rate for savings income, dividend allowance and personal savings allowance.
- The Scottish Government presented its Budget for 2020/2021 on 6th February and set the starter and basic rate thresholds at £2,085 and £12,658 respectively. All other thresholds remain unchanged.
- Top Slicing Relief (TSR) on life insurance policy gains – Following a recent First-Tier Tribunal case, the government will legislate in Finance Bill 2020 to put beyond doubt the calculation of TSR by specifying how income tax allowances and reliefs can be set against life insurance policy gains. This measure will apply to all relevant gains occurring on or after 11 March 2020.

Capital Gains Tax (CGT)

- Effective from 11 March 2020, the lifetime limit on gains eligible for Entrepreneurs' Relief (which offers a reduced 10% rate of Capital Gains Tax on qualifying disposals) will be reduced from £10 million to £1 million.
- The annual exempt amount increases to £12,300 from 6 April 2020.
- Trustees will benefit from an annual exempt amount of £6,150 although this amount will be diluted where the settlor has created more than one trust subject to a minimum of £1,230 per trust.

Inheritance Tax (IHT)

- The only IHT related change is the already known raising of the residential nil rate band to £175,000.

Corporation Tax

- The main corporation tax rate will remain at 19% rather than pressing ahead with the previously planned reduction to 17%.

Pensions

- The lifetime allowance will increase to £1,073,100 from 6 April 2020.

- Changes to the tapered annual allowance from 6 April 2020:
 - Following the proposals to compensate senior NHS clinicians who have been subject to the annual allowance charge, the two tapered annual allowance thresholds are being raised by £90,000. This means that those whose “threshold income” is £200,000 or less will not be affected by the taper at all, while those whose “adjusted income” is between £240,000 and £300,000 will have a reduced annual allowance of between £40,000 and £10,000.
 - For those with total income (including pension savings /accrual) over £300,000, the tapered annual allowance will reduce further, to a minimum of £4,000. For example, someone with total income of £312,000 or more will have a tapered annual allowance of £4,000.
 - In view of the revision in the tapered annual allowance thresholds, the proposals to offer greater pay in lieu of pensions for senior clinicians in the NHS pension scheme are not being adopted.
- The government will shortly be publishing a call for evidence regarding the disparity in the tax relief position for low earners making pension contributions dependent on the method of tax relief adopted by the pension arrangement.
- Following the Civil Partnerships (Opposite-sex Couples) Regulations 2019, individuals can derive or inherit a State Pension from an opposite-sex civil partner.

ISAs

- The ISA annual subscription limit will be £20,000, while the Lifetime ISA annual limit will remain £4,000, for the 2020/21 tax year.
- However JISA and Child Trust Fund subscription limits will be significantly increased from £4,368 to £9,000 for 2020/2021.

National Insurance

- The National Insurance contributions (NICs) Primary Threshold and Lower Profits Limit, for employees and the self-employed respectively, will increase to £9,500 from April 2020.

Stamp Duty

- Non-UK resident Stamp Duty Land Tax (SDLT) surcharge - The government will introduce a 2% SDLT surcharge on non-UK residents purchasing residential property in England and Northern Ireland from 1 April 2021.

Coronavirus support

- To support the NHS and other public services, there will be a £5bn emergency response fund.
- A £500 million hardship will help vulnerable people.
- Support with sick pay will be available with statutory sick pay paid to all those who choose to self-isolate, and Contributory Employment Support Allowance benefit claimants will be able to claim sick pay from day one.
- Sick pay payments will be refunded for two weeks for firms with fewer than 250 staff.
- Business interruption loans of up to £1.2m will be available for small firms.
- Business rates will be abolished for firms with a rateable value below £51,000 in the retail, leisure and hospitality sectors.
- The Science Institute in Weybridge, Surrey which is analysing coronavirus samples will get a £1.4 billion funding boost.

Consultations and other forthcoming legislation

The government:

- is legislating to clarify when fund management services are exempt from VAT and will set

up an industry working group to review how financial services are treated for VAT purposes.

- will publish an evaluation of the introduction of Making Tax Digital for VAT, along with related research.
- will have a call for evidence on raising standards for tax advice available to individuals.
- together with the UK Statistics Authority (UKSA), is launching a consultation on the shortcomings of the Retail Prices Index (RPI) measure of inflation. This closes on 22 April 2020.
- will consult to ensure that where tax legislation makes reference to the London Inter-Bank Offered Rate (LIBOR), which is being replaced in 2021, it continues to operate effectively.
- will legislate to take further action against those who promote and market tax avoidance schemes.

Miscellaneous

- No fuel or alcohol duty rises.
- Pubs will benefit with business rate discounts rising this year from £1,000 to £5,000.
- A plastic packaging tax will come into force from April 2022.
- Emergency relief funding of £120 million will be provided for communities affected by the recent flooding and additional £200 million will be available for flood resilience. In addition to this, over the next 5 years, the total investment in flood defences will be doubled to £5.2 billion.
- A new 'nature for climate fund' will be set up with £640 million of funding to protect natural habitats. This will also fund 30,000 hectares of new trees.
- By the middle of 2025, more than £600 billion is set to be spent on roads, railways, broadband and housing.
- Over 5 years, £2.5 billion will be made available to fix potholes and resurface roads.
- An extra 6,000 places for rough sleepers will be provided under a £650 million package to tackle homelessness. This will be funded by the stamp duty surcharge mentioned earlier in this summary.
- After the Grenfell Tower fire, a £1 billion fund has been set aside to remove all unsafe combustible cladding from all public and private housing higher than 18 metres.

Inevitably, the impact of some of these changes will gradually become clearer and further details will emerge as new information becomes available. In the meantime if you have any questions regarding any of the above, please [email Technical](#).

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