CavanaghKelly

Spring Budget 2020

Summary of the Facts

Contents

Commentary	3
Coronavirus Provisions	4
Income Tax	4
Business Tax	5
Anti-Avoidance	7
VAT	7
Stamp Duty Land Tax (SDLT)	7
Excise Duties	8

Commentary

Spring Budget 2020

The new Chancellor, Rishi Sunak, delivered his first Budget yesterday, just 27 days into his new role, with the next Budget expected to take place in Autumn 2020. The Chancellor announced a £12b financial package to help ease the burden of COVID-19 (Coronavirus) and its temporary knock-on effect on the UK economy.

The headlines for Northern Ireland are:

- An extra £210m has been pledged to the Executive's Budget for 2020/21
- The Government will provide funding for City and Growth Deals of £126m for Mid, South, and West and £36m for Causeway Coast and the Glens.

"Although dominated by the Coronavirus... this was a budget for the whole of the UK, with a focus on investment in infrastructure and research to rebalance the economy."

Although dominated by the Coronavirus, the Chancellor communicated a clear message that this was a budget for the whole of the UK, with a focus on investment in infrastructure and research to rebalance the economy. The news of an immediate reduction to the lifetime limit for Entrepreneur's relief will come as a major blow to many business owners, particularly those who are in the process of completing their transaction. Apart from this there were no other significant changes to the Capital Gains Tax or Inheritance Tax regimes.

Spring Budget 2020

Coronavirus Provisions

The Chancellor announced the following support due to the impact of the Coronavirus:
• Employees – Statutory Sick Pay (SSP) will be available for qualifying employees from day 1 for all those who self-isolate even if not diagnosed.
• Employers – SSP costs will be refunded by the Government for up to 2 weeks for business with fewer than 250 employees.

• Repayable loans - Small and medium-sized businesses will be able to access up to £1.2m in temporary business interruption loans.

These measures will provide some much-needed relief to employees and businesses concerned about the financial impact of the Coronavirus.

• HMRC helpline - A new helpline has been set up by HMRC to provide support to struggling businesses. HMRC may offer instalment payment arrangements, suspension of debt collection proceedings, and cancellation of penalties and interest in some cases.

Income Tax

Personal Tax Rates and Allowances
The Personal Tax rates and allowances will remain unchanged. The personal allowance remains at £12,500 and the higher rate tax threshold remains at £50,000.

National Insurance
The threshold for employees Class 1 National Insurance and self-employed Class 4 National Insurance will increase from £8,632 to £9,500 from April 2020.

The increase in the National Insurance threshold will save individuals up to £104 per year.

National Living Wage (NLW)
The NLW will increase from April 2020:
• Over 24 years old - £8.72 per hour
• 21 to 24-year-olds - £8.20 per hour
• 18 to 20-year-olds - £6.45 per hour
• 16 and 17-year-olds - £4.55 per hour
• Apprentices - £4.15 per hour

Van Benefit and Fuel Benefit Charges
From 6 April 2020, employers who provide employees with vans which are available for private use will see an increase in the level of taxable benefits arising on the van and the fuel provided. The flat rate van benefit charge will increase from £3,430 to £3,490 and the flat rate van fuel benefit charge will increase from £655 to £666.
The car fuel benefit charge will increase from £24,100 to £24,500.

Tapered Annual Allowance for Pensions
The annual allowance for pensions is the maximum amount of tax relief that an individual can receive on their pension savings in a tax year, and it is restricted for high income individuals. Previously the restriction applied to individuals with adjusted income over £150k. From April 2020 the £150k threshold is increased to £240k. The minimum reduced tapered annual allowance for high income individuals will also reduce from £10k to £4k.

This is a welcome announcement which will be of interest to doctors contemplating early retirement.

Troubles Permanent Disablement Payment Scheme
The Troubles Permanent Disablement Payment Scheme will be introduced in May 2020 to support victims injured in the Northern Ireland Troubles. Payments will be backdated to December 2014. The Government will also introduce tax exemptions for any payments received after May 2020.

Capital Gain Tax Annual Exemption for 2020/21
The annual exemption from Capital Gains Tax for individuals and personal representatives will increase from £12,000 to £12,300. For trustees of settlements, the annual exemption will increase to £6,150.

Income Tax

Changes to Loan Charge
The loan charge applies to loans which arose due to the use of disguised remuneration schemes. In 2016, scheme users were given three years to repay their disguised remuneration loans, reach a settlement with HMRC, or be subject to the new charge payable by 5 April 2019. Yesterday's Budget introduced several changes which will apply retrospectively from 5 April 2019.

One of the changes will allow the taxpayer to elect for the loan balance to be split over the 2018/19, 2019/20 and 2020/21 tax years, whereas previously the outstanding loan balance was treated as taxable income in 2018/19 and taxed accordingly.

Business Tax

Capital Gains Tax – Entrepreneurs' Relief (ER)
Entrepreneurs' Relief provides a 10% rate of Capital Gains tax for individuals who dispose of part or all of their business or shares in their trading company, when certain conditions have been met. The lifetime limit of gains to which this relief applies will be reduced from £10m to £1m for all qualifying disposals on or after 11 March 2020. Special provisions will be available for disposals which were entered into before 11 March 2020 but have not yet been completed. Contact us for further information.

This is an unwelcome change for many successful Northern Ireland businesses, particularly for any businesses currently in negotiations to sell, considering that the change takes immediate effect.

Corporation Tax Rate
In the 2016 Budget, it was announced that the Corporation Tax rate would be reduced to 17% from 1 April 2020. The Government has reversed this decision, and the Chancellor has chosen to maintain the current rate of Corporation Tax of 19% for the 2020 and 2021 financial years.

This will impact all companies, but particularly those that have made quarterly payments based on the 17% rate as they will have underpaid and may be subject to late payment interest.

Employment Allowance
The Employment Allowance allows eligible employers to reduce their employer Class 1 National Insurance liability.

From April 2020, the Employment Allowance will increase from £3,000 to £4,000, but will only be available to businesses with a Class 1 National Insurance liability under £100,000.

The increase to the Employment Allowance is particularly welcome as many small businesses experience the effect of increases to the National Minimum Wage.

Corporate Capital Loss Restriction
As announced in Budget 2018, a 50% capital loss relief restriction will be introduced for disposals after 1 April 2020. Companies with carried-forward capital losses that dispose of a capital asset and make a chargeable gain of over £5m will only be able to use carried-forward losses against 50% of the gain in excess of £5m.

Business Tax

Spring Budget 2020

Capital Allowances – CO_2 Emission Thresholds for Business Cars
The Government has recently announced a proposal to ban new petrol, diesel, and hybrid cars from 2035 and is therefore keen to incentivise businesses to acquire environmentally friendly company vehicles. To help businesses with the cost of these vehicles, the 100% First Year Allowances (FYAs) will be extended until April 2025 but will only apply to vehicles with zero CO_2 emissions. Furthermore, the CO_2 Emission threshold for claiming 18% capital allowances is also reducing from 110g/km to 50g/km from April 2021.

Capital Allowances – Structures and Buildings Allowances
Finance Act 2019 introduced the Structures and Buildings Allowance (SBA), which allows businesses to claim capital allowances at a rate of 2% over a period of 50 years on the construction of non-residential structures used for the purposes of their trade on or after 29 October 2018. From 6 April 2020, businesses will be able to claim a deduction of 3% over a period of approximately 33 years.

The increase to 3% is still not particularly generous, but shows movement in the right direction.

Research and Development Expenditure Credit
The Research and Development Expenditure Credit (RDEC) is currently available to large companies (and some small and medium-sized enterprises) and allows those undertaking qualifying R&D expenditure to receive a tax credit. For expenditure incurred on or after 1 April 2020, the rate of the tax credit will increase from 12% to 13%.

Budget 2020 has set out an ambitious R&D investment strategy, and by increasing the rate of the RDEC, the Government is hoping large enterprises will increase productivity and promote growth

Corporation Tax for Non-UK Resident Companies
From 6 April 2020, non-UK resident companies with UK property income will be subject to Corporation Tax rather than Income Tax.

Non-UK resident companies will benefit from the lower Corporation Tax rate of 19% compared to the Income Tax rate of 20%, and an extended filing deadline. This measure will be particularly relevant for companies established in the Republic of Ireland with investment properties in Northern Ireland.

Corporation Tax Treatment of Intangible Fixed Assets
Intangible assets acquired on or after 1 July 2020 will be under the same tax regime with no distinction made between intangible assets acquired pre and post 1 April 2002. The existing restrictions on relief for amortisation of goodwill and other assets will still apply. This means that there will continue to be no Corporation Tax deduction on the amortisation of goodwill for businesses incorporated since 8 July 2015.

Enterprise Zones - Enhanced Capital Allowances
Finance Bill 2018 announced the end of Enhanced Capital Allowances (ECAs) from 1 April 2020. ECAs allowed companies who purchased energy or water-saving plant and machinery a deduction for the full cost of the equipment against the company's trading profits.

Budget 2020, however, allows for companies who are based in any of the UK's designated Enterprise Zones to continue to benefit from ECAs until at least 31 March 2021. The Government hopes that protecting this measure will help companies already established in an Enterprise Zone and promote capital investment.

Digital Services Tax
This is a new tax of 2% on the revenues generated from UK users in respect of search engines, social media services and online marketplaces. This tax will apply from 1 April 2020.

This will impact the likes of Google and Amazon as it will apply to businesses with group worldwide revenues of more than £500m with more than £25m relating to their UK users, and they may choose to pass this cost on to consumers.

Anti Avoidance

Stamp Duty: Extension of Market Value Rule
Transfers of unlisted securities to connected companies will be deemed to transfer at market value for stamp duty purposes where the consideration for the transfer is the issue of shares as part of a contrived arrangement to avoid tax. Currently the market value rule only applies to listed securities. This measure will take effect from the date that it receives royal assent.

HMRC Priority in Insolvency
From 1 December 2020, when a business enters insolvency proceedings HMRC will be a secondary preferential creditor in respect of VAT and PAYE and will be paid before unsecured creditors. This measure was previously announced but has now been delayed and extended to Northern Ireland.

Business groups have described this policy as a threat to business lending and business rescue. The is primarily because HMRC will now be repaid in advance of 'floating charge' lenders which understandably may limit the availability of this type of finance in future.

Construction Industry – Avoidance, Evasion and Non-Compliance
The Government have announced plans to introduce legislation to:
• Allow HMRC to deny tax refunds by non-compliant businesses claiming CIS credit to which they are not entitled,
• Simplify rules for deemed contractors,
• Clarify the rules on allowable deductions for materials, and
• Expand the scope of penalty for false information supplied when registering for CIS.
They will also publish a consultation on how to tackle fraud in the supply chain.

VAT

VAT Postponed Accounting
Postponed accounting for VAT on all imports of goods to the UK will apply from 1 January 2021.

This will have a positive impact on the cashflow of businesses which pay import VAT.

Change in VAT Rules for Call of Stock Arrangements
Businesses moving stock between the UK and EU member states are currently required to register for VAT in the country in which they store goods until they are subsequently sold on to customers in that country. From 1 January 2020 this requirement has been removed. The position after 31 December 2020 will depend on the outcome of the current Brexit negotiations.

VAT on Digital Publications
The VAT on digital publications will be reduced from 20% to the zero-rate from 1 December 2020 to bring it in line with printed publications.

VAT Reverse charge
The delayed introduction of the VAT reserved charge is still going ahead as planned for the construction industry in October 2020.

Stamp Tax

SDLT: 2% Surcharge for Non-Residents
The Chancellor announced that a 2% SDLT surcharge will apply to purchases of residential property by non-UK residents from 1 April 2021.

Excise Duties

Tampon Tax
From the 1 January 2021, once the UK have left the EU, there will be no Tax on tampons or sanitary products.

After years of campaigning from MPs and women's groups, this will be a very welcome announcement.

Plastic Packaging Tax
A new Plastic Packaging Tax will be introduced from April 2022 for plastic packaging which does not contain at least 30% recycled material. The proposed rate is £200 per tonne, with an exemption for small businesses purchasing less than 10 tonnes. The Government will hold a consultation on the design and implementation of this tax, and other potential exemptions.

Red Diesel
The Chancellor announced plans to restrict the use of red diesel, with a consultation to be launched later this year. Immediate changes will apply to privately owned boats. Use by agricultural and fishing industries will not be affected.

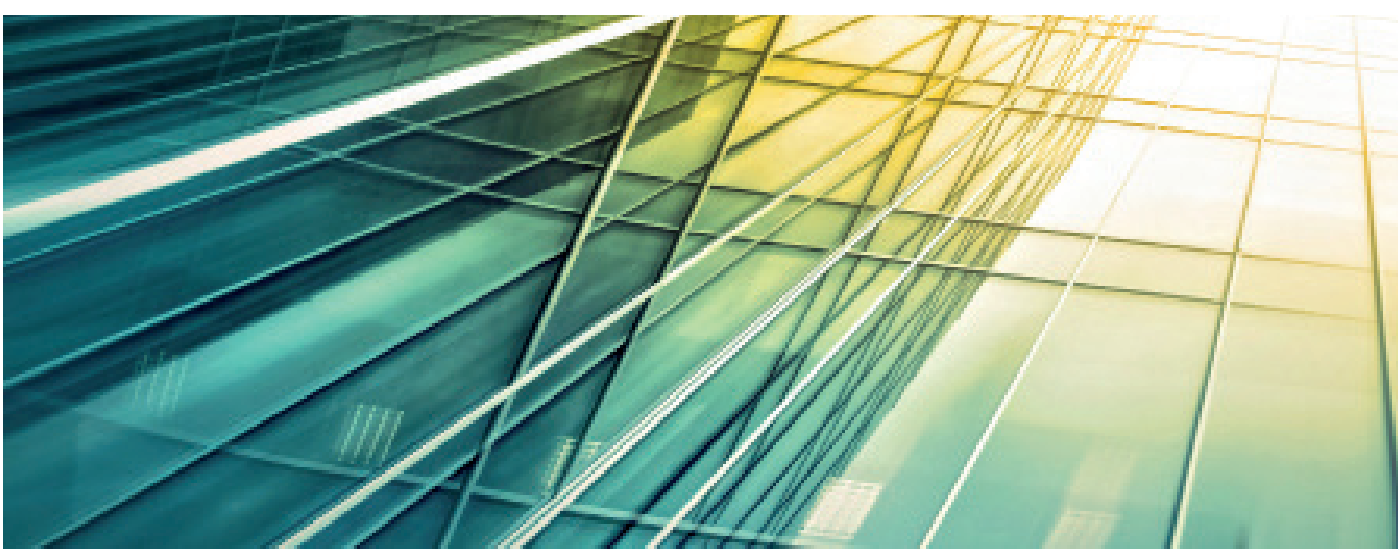
Tobacco Duty
The duty rate on all tobacco products will continue to increase by 2% above inflation, with the exception of hand-rolling tobacco which will increase to 6% above inflation.

Fuel Duty
Fuel duty remains frozen for the tenth year in a row.

Alcohol Duty
Alcohol duty remains frozen on beer, wine, cider, and spirits.

Air Passenger Duty
Short haul rates for Air Passenger Duty for the 2020/21 and 2021/22 years will remain frozen at the current levels of £26 for the standard rate and £78 for the higher rate, while the long-haul rate will increase in line with inflation.

Climate Change Levy
The Climate Change Levy on electricity will be lowered while the levy on gas will rise, to reduce the incentive of choosing gas over electricity. Other fuels such as coal will align with the gas rate.



CavanaghKelly

DUNGANNON OFFICE

36-38 Northland Row
Dungannon
BT71 6AP

T: +44 (0) 28 8775 2990

ENNISKILLEN OFFICE

1 Broadmeadow Place
Unit 2 Castle Island Court
Enniskillen BT74 7HR

T: +44 (0) 28 6632 2617

OMAGH OFFICE

43 Dublin Road
Omagh
BT78 1HE

T: +44 (0) 28 8224 4339

BELFAST OFFICE

Scottish Provident Building
7 Donegall Square West
Belfast BT1 6JH

T: +44 (0) 28 9091 8230

info@cavanaghkelly.com
www.cavanaghkelly.com