

2020 BUDGET

The bite sized summary for business owners



The Accountants that don't just keep the score - we help You win

THE COVID 19 BUDGET?



Welcome to our KMA Budget Newsletter!

To make it super easy for you I've summarized the bits of the Budget which are most relevant to family run business owners into this bite sized Budget Newsletter.

Whilst there weren't any big announcements, I feel that on balance the 2020 Budget was filled with a lot more GOOD news than BAD news.



COVID 19 SUPPORT FOR BUSINESS

Two offers of temporary support for COVID affected businesses have been announced: -

1 Statutory Sick Pay (SSP)

Employees are entitled to SSP from day one. Businesses with 250 employees or less will have this SSP fully reimbursed. This support is limited to two weeks. Employers need their staff to get a sick note by ringing 111.

2 Time to Pay

Businesses struggling to pay their tax on time due to COVID19 can expect to get extra time to pay and for any late payment penalties and interest to be waived.

INCOME TAX & NI – LITTLE CHANGE

The personal allowances and threshold for income tax are unchanged for 2020/21.

The tax free personal allowance stays at £12,500 and the higher rate tax threshold stays at £50,000.

The tax free allowance for National Insurance has risen to £9,500. Most taxpayers will save £75 to £105 a year.

ISA UPDATE

The annual ISA investment limit for 2020/21 stays at £20,000 whereas the limit for **Junior ISA** leaps up to £9,500.

CORPORATION TAX STAYING AT 19%

The planned 2% rate cut started from 1 April 2020 has gone – the 19% rate remains.

NATIONAL MINIMUM WAGE GOING UP

From **April 2020 the hourly rates are going up to: -**

Age 25+	£8.72 (up 51p)
Age 21-24	£8.20 (up 50p)
Age 18-20	£6.45 (up 30p)
Age under 18	£4.55 (up 20p)
Apprentice	£4.15 (up 25p)

Whilst being good for staff many family businesses will now have to plan for a big increase in their payroll cost next year.

RISE IN EMPLOYMENT ALLOWANCE

This annual allowance can be claimed by employers to reduce the amount of Employer NI that they pay. This allowance is going up from April 2020 by £1,000 to £4,000.

RATES RELIEF FOR SMALL BUSINESS

The 100% business rates retail discount will be extended to the leisure and hospitality sectors where the rateable value is less than £51,000.

Also, very small businesses who already pay no business rates at all will be able to claim a £3,000 cash grant.

2020 BUDGET (continued)

IR35 “OFF-PAYROLL” RULES COMING IN

Recent IR35 rule changes affecting the Public Sector will be rolled out to the Private Sector starting 6th April 2020.

It means that it is now the contractor's responsibility for checking the employment status of any sub-contractors – if they get it wrong then they risk getting a big tax bill.

ALERT: Small businesses who are the contractor will be (for the time being) EXEMPT from these new rules.

VAT LIMITS – FROZEN



The VAT registration limit of £85,000 and de-registration limit of £83,000 remain unchanged.

ENTREPRENEURS' RELIEF - LIMIT CUT

This relief allows business owners to pay just 10% capital gains tax when they sell their business.

With immediate effect the lifetime relief limit has been cut from £10m to £1m and applies to allow disposals on or after 11th March 2020.

RENTAL PROPERTY – TAX RISES COME IN

From 6th April 2020 the following three Capital Gains Tax (CGT) changes will come in: -

- **The tax-free exempt period halved from 18 to 9 months**
- **Lettings Relief now severely restricted** (worth up to £40,000 if you are selling a rental property but which has been your main home)
- **A payment on account for CGT due on the sale of residential property** will be payable within 30 days of completion

TAX DEBTS & INSOLVENCY

New insolvency rules have been delayed from 6th April to 1st December 2020. These rules mean that HMRC (for certain taxes inc PAYE and VAT) will be preferential creditor on winding up of a company.

ALERT: Companies at risk of failure must take care.

Draft legislation has been issued meaning directors could become personally liable for company tax debts owed to HMRC if that company fails.

CAPITAL GAINS TAX ALLOWANCE UP A BIT

This annual tax free allowance will be nudging up for 2020/21 by £300 to £12,300.

STRUCTURE & BUILDING ALLOWANCE UP TO 3%

This tax relief was for the cost of construction or renovation of commercial buildings and structures. From April 2020 the relief for businesses goes up from 2% to 3%.

HMRC AUTOMATED PROCESSES

Legislation will be drafted to confirm that HMRC can use automated processes to issue taxpayers with notices to file returns AND with penalty notices.

To be clear these notices can be system generated and do not have to be issued by an individual officer.

Disclaimer

This tax saving checklist is designed to alert you to some of the major issues you should be considering and especially before 5th April 2020. It is not a replacement for professional advice tailored to your precise needs and circumstances. It is important that you take professional advice before making any decisions based on the information that you learnt here. While every effort has been made to make sure it is accurate it cannot be precisely tailored to your personal circumstances.

Please contact me or a member of the team if you would like to discuss any of the issues raised.

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