

insight
financial associates

TAX FACTS

2020/2021

Tax is complicated,
so you need the facts



INCOME TAX RATES

Non-savings, non-dividend income – England, Wales, NI

2019/20	Band	2020/21	Band
Basic rate: 20%	£0 – £37,500	Basic rate: 20%	£0 – £37,500
Higher rate: 40%	£37,501 – £150,000	Higher rate: 40%	£37,501 – £150,000
Additional rate: 45%	Over £150,000	Additional rate: 45%	Over £150,000

Non-savings, non-dividend income – Scotland

2019/20	Band	2020/21	Band
Starter rate: 19%	£0 – £2,049	Starter rate: 19%	£0 – £2,085
Basic rate: 20%	£2,050 – £12,444	Basic rate: 20%	£2,086 – £12,658
Intermediate rate: 21%	£12,445 – £30,930	Intermediate rate: 21%	£12,659 – £30,930
Higher rate: 41%	£30,931 – £150,000	Higher rate: 41%	£30,931 – £150,000
Top rate: 46%	Over £150,000	Top rate: 46%	Over £150,000

Savings and dividend income – UK

	2019/20	2020/21
Savings income – basic rate	20%*	20%*
Savings income – higher rate	40%	40%
Savings income – additional rate	45%	45%
Dividends – basic rate	7.5%	7.5%
Dividends – higher rate	32.5%	32.5%
Dividends – additional rate	38.1%	38.1%

*0% starting rate on up to £5,000 of savings income for 2019/20 & 2020/21. Not available if non-savings/non-dividend income exceeds this limit.

Trusts Standard Rate Band £1,000

INCOME TAX ALLOWANCES – UK

Allowances		2019/20	2020/2021
Personal allowance (PA)*		£12,500	£12,500
Married couple's allowance ø	Spouse/civil partner born before 6.4.1935	£8,915	£9,075
Minimum MCA		£3,450	£3,510
Blind person's allowance		£2,450	£2,500
Marriage allowance**		£1,250	£1,250
PA income limit		£100,000	£100,000
MCA income limit		£29,600	£30,200
Dividend allowance		£2,000	£2,000
Personal savings allowance	Basic rate tax taxpayers	£1,000	£1,000
	Higher rate taxpayers	£500	£500

* PA reduces by £1 for every £2 adjusted net income exceeds PA income limit.

ø MCA relief at 10% if at least one spouse/civil partner born before 6.4.1935. Reduces by £1 for every £2 adjusted net income exceeds MCA income limit, but not below minimum.

** One spouse/civil partner can transfer up to 10% of their PA to the other, provided neither is liable to tax above the basic rate.

COMPANY CAR BENEFIT

The tax charge is calculated as a percentage – ranging from 16% to 37% for 2019/20 and 0% to 37% for 2020/21 – which is determined by the CO2 emissions figure for the car. For diesel cars there is an extra charge of up to 4% subject to a maximum of 37%.

CAR FUEL BENEFIT

The tax charge is calculated using the same percentage as the company car charge (as above) applied to a set figure of £24,100 for 2019/20 and £24,500 for 2020/21.

VALUE ADDED TAX

	From 1.4.2019	From 1.4.2020
Standard rate	20%	20%
Registration level	£85,000	£85,000
De-registration level	£83,000	£83,000

CORPORATION TAX

	Year to 31.3.2020	Year to 31.3.2021
All taxable profits	19%	19%

CAPITAL GAINS TAX

Exemptions	2019/20	2020/21
Individuals & LPRs*	£12,000	£12,300
Trusts	£6,000	£6,150

*Legal personal representatives (LPRs) are entitled to the annual exemption in the tax year of death and the next two tax years.

Rates	2019/20	2020/21
Individuals' gains: • within available basic rate tax band • on the balance	10%* 20%*	10%* 20%*
Trustees' & LPRs' gains	20%*	20%*
Entrepreneurs' relief and investors' relief – in each case: • On first £10m lifetime gains • On the balance	10% 10% / 20%*	10% 10% / 20%*
Companies' gains charged at corporation tax rate. Indexation allowance is frozen for disposals from 1st January 2018.		

*18% & 28% rates apply to residential property (not covered by principal private residence relief) and carried interest.

INHERITANCE TAX

Chargeable transfers	2019/20	2020/21
Standard nil-rate band	£325,000	£325,000
Residence nil-rate band (available only on death, subject to conditions)	£150,000	£175,000
Tax on excess value of chargeable transfer on death and lifetime transfers made within 7 years of death	40%	40%
Tax on excess value for chargeable transfers on death where 10% or more of net estate left to charity	36%	36%
Tax on excess value for other chargeable lifetime transfers	20%	20%

Reduced tax charge on gifts within 7 years before death (Taper Relief)					
Years before death	0-3	3-4	4-5	5-6	6-7
% of death charge	100	80	60	40	20

Main exemptions		
Gifts to charities (UK, EU & specified countries)		Unlimited
Gifts between UK domiciled spouses		Unlimited
Annual		£3,000
Small gifts to any one person		£250
Gifts on marriage / civil partnership from:	Parent	£5,000
	Grandparent	£2,500
	Other	£1,000

STAMP DUTY LAND TAX

Residential Property (Not Scotland. Not Wales)	2019/20	2020/21
The part of the purchase price falling within:£0-£125,000	0%	0%
£125,001-£250,000	2%	2%
£250,001-£925,000	5%	5%
£925,001-£1,500,000	10%	10%
Over £1,500,000	12%	12%

A 3% surcharge applies to additional residential properties worth £40,000 or more.

Eligible first time buyers pay 0% SDLT on first £300,000 of purchase price and 5% on £301,000 to £500,000. Normal rates apply to properties worth more than £500,000.

SDLT is charged at 15% on properties worth over £500,000 purchased in corporate envelopes.

LAND & BUILDINGS TRANSACTION TAX

Land & Buildings Transaction Tax applies in Scotland. For more information including rates and bands see: www.revenue.scot/land-buildings-transaction-tax

LAND TRANSACTION TAX

Land Transaction Tax applies in Wales. For more information including rates and bands see: <https://gov.wales/land-transaction-tax-guide>

MAIN DUE DATES FOR TAX PAYMENT

Income Tax

Interim payments: 31st January during the tax year and 31st July following the end of the tax year.

Final payment: 31st January following the end of the tax year.

Capital Gains Tax

Normally, 31st January following the end of the tax year.

Inheritance Tax

Death: Normally 6 months after the month of death

Lifetime transfer: 6 months after the month of the transfer.

Corporation Tax

Taxable profits up to £1.5 million: 9 months and 1 day after the end of the accounting period.

Taxable profits of more than £1.5 million: 14th day of months 7, 10, 13 and 16 after the start of a 12 month accounting period.

KEY BENEFITS

		2019/20	2020/21
Child Benefit p.w.*	First child	£20.70	£21.05
	Other children	£13.70	£13.95
Pension Credit – Standard Minimum Income Guarantee p.w.	Single person	£167.25	£173.75
	Couple	£255.25	£265.20
Jobseeker's Allowance p.w. age 25 and over		Up to £73.10 for single person	Up to £74.35 for single person
State Pension p.w. (reached SPA by 5.4.2016)		£129.20	£134.25
Addition for spouse or civil partner p.w.		£77.45	£80.45
New State Pension p.w. (reached SPA from 6.4.2016)		£168.60	£175.20

*Child benefit is reduced by 1% for every £100 of income over £50,000 where the recipient or their spouse/civil partner/cohabitee has adjusted net income over £50,000.

NATIONAL INSURANCE CONTRIBUTIONS

Class 1 Employees (Primary)

2019/20 Earnings p.w.	Employee	2020/21 Earnings p.w.	Employee
Below £166	Nil	Below £183	Nil
£166 – £962	12%	£183 – £962	12%
Over £962	2%	Over £962	2%

Class 1 Employers (Secondary)

2019/20 Earnings p.w.	Employer	2020/21 Earnings p.w.	Employer
Below £166	Nil	Below £169	Nil
£166 – £962 (U21s / apprentice U25s)	Nil	£169 – £962 (U21s / apprentice U25s)	Nil
Over £166 (otherwise)	13.8%	Over £169 (otherwise)	13.8%

Class 1A: Generally the employer rate on all benefits in kind is 13.8% for 2019/20 and 2020/21.

Employment Allowance reduces overall employer class 1 NICs by up to £3,000 for 2019/20 and £4,000 for 2020/21, subject to conditions.

Voluntary

		2019/20	2020/21
Class 3	Flat rate =	£15 p.w. £780 p.a.	£15.30 p.w. £795.60 p.a.

Self Employed

		2019/20	2019/20
Class 2	Flat rate = If profits over No compulsory NICs if profits do not exceed	£3.00 p.w. £156 p.a. £6,365 p.a.	£3.05 p.w. £158.60 p.a. £6,475 p.a.
Class 4	Flat rate = if profits over	9% £8,632 – £50,000	9% £9,500 – £50,000
Class 4	Flat rate = if profits over	2% Over £50,000	2% Over £50,000

PENSIONS – MAXIMUM CONTRIBUTIONS LIMIT

The maximum amount of contributions on which a member can claim tax relief in any tax year is the greater of:

- the 'basic amount' – currently £3,600 gross, and
- the amount of the individual's relevant UK earnings that are chargeable to income tax for the year.

LIFETIME ALLOWANCE

Tax Year	Amount
2016/17 to 2017/18	£1,000,000
2018/19	£1,030,000
2019/20	£1,055,000
2020/21	£1,073,100

Lifetime Allowance Charge: 55% on excess paid as a lump sum and 25% on excess designated for drawdown, annuity or scheme pension.

ANNUAL ALLOWANCE

Tax Year	AA Amount	MPAA Amount
2016/17	£40,000*	£10,000
2017/18 to 2020/21	£40,000*	£10,000

Annual Allowance Charge: marginal income tax rate on excess.

Carry forward of up to 3 years unused annual allowance available.

Money Purchase Annual Allowance (MPAA): applies with no carry forward to money purchase pensions once flexible pension income taken from 2015/16.

Tapered annual allowance: from 2016/17 to 2019/2020, tapered by £1 for every £2 of 'adjusted income' over £150,000 to a minimum of £10,000 if 'threshold income' is also over £110,000.

In 2020/21, tapered on the same basis if adjusted income over £240,000 and threshold income over £200,000 to a minimum of £4,000

ISA LIMITS

	Overall Limit
ISA 2019/20*	£20,000
ISA 2020/21*	£20,000
Junior ISA / Child Trust Fund 2019/20	£4,368
Junior ISA / Child Trust Fund 2020/21	£9,000

* Eligible savers can contribute up to £4,000 of the overall ISA limit to a Lifetime ISA.

Since 6.4.2015, the spouse/civil partner of deceased ISA saver (who died on/after 3.12.2014) has an additional ISA allowance equal to the value of the deceased's ISA(s) at the date of death.

This information is based on our understanding of the Chancellor's 11th March 2020 Spring Budget proposals, and the Scottish Budget set 4th March 2020.

It must be remembered that these proposals could change.

Every care has been taken to ensure that this information is correct and in accordance with our understanding of the law and HM Revenue & Customs practice, which may change. However, independent confirmation should be obtained before acting or refraining from acting in reliance upon the information given.



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Head Office: Insight House, 7a Alkmaar Way,
Norwich International Business Park, Norwich, NR6 6BF

t: 01603 268080 e: info@insightifa.com w: www.insightifa.com