

## **TAXAID AND TAX HELP FOR OLDER PEOPLE BUDGET UPDATE 2020**

Rishi Sunak delivered the Budget on 11 March 2020, and it was very much, as commentators had expected, the 'Coronavirus budget'.

Little of any substance was said with regard to taxes, particularly those that would affect our clients.

However, a number of measures were announced before the budget which come into effect from 6 April 2020, as follows:

### **TAX AND NATIONAL INSURANCE RATES AND ALLOWANCES**

#### **Personal allowance and rates (England, Wales and Northern Ireland)**

The personal allowance will remain at £12,500.

Basic rate band will remain at £37,500 meaning that 40% tax rate will not kick in until taxpayers are earning more than £50,000.

Note that the Welsh Government has the power to set its own rates but has chosen to keep them in line with rates in England and Northern Ireland. It is still important that Welsh taxpayers are identified because some of the tax they pay is paid directly over to the Welsh Government. Likewise Scottish taxpayers need to be identified regardless of any liability to make sure that the allocation of funds is correctly made to the Scottish government.

#### **Personal allowance and rates (Scotland)**

The Scottish Budget was delivered on 6 February 2020.

As for England, Wales and Northern Ireland, the personal allowance will remain at £12,500.

However for Scotland, the starting rate of 19% applies to earnings between £12,501 and £14,584, the basic rate of 20% applies to earnings between £14,584 and £25,158, and the intermediate rate of 21% kicks in for earnings between £25,158 and £43,430.

#### **National Insurance (for all)**

The primary threshold has been raised to £9,500, representing a saving for employed taxpayers earning at least £9,500 of £104 and a saving of £78 for the self-employed.

It should be noted that for the lowest earners the cash benefit arising from the savings in tax and national insurance from the changes in tax and NIC thresholds is diluted by the subsequent reduction in benefit entitlement.

## **TAX ADMINISTRATION CHANGES**

### *Off-payroll working rules*

A measure already announced but taking effect from 6 April 2020. If a taxpayer is working for a medium or large organisation (as defined by Companies Act) via an intermediary or personal service company, the end client will be responsible for determining the taxpayers IR35 status and if applicable, deducting tax and national insurance before a payment is made, and paying this over to HMRC.

The 5% expenses deduction will be abolished.

Taxpayers working for small companies are exempt from the new rules and the responsibility for determining employment status still lies with them.

A detailed update on this will be published on our website in due course.

### *Tax Debt*

The government will invest an additional £12.5m in HMRC during 2020/21 to enable them to begin work immediately on the implementation of 'breathing space'. Breathing space is to be introduced from early 2021 and means that people in problem debt will have a period of 60 days where no enforcement action will be taken and no additional interest or charges are incurred, whilst they engage with debt advice and work towards a sustainable debt solution.

### *Making Tax Digital (MTD)*

No announcement was made regarding the introduction of Making Tax Digital for the Self Employed.

However, the government will publish an evaluation of the introduction of Making Tax Digital for VAT. We will all await this with bated breath to see what learning can be done prior to introduction of Making Tax Digital for the self employed.

### *Capital gains tax (CGT)*

From 6 April 2020, on disposal of a reportable gain arising from residential property, a return is required within 30 days of completion of sale. It will be necessary to submit a provisional calculation of the gain to HMRC and pay the tax that is due.

There are also changes to principal private residence relief in that lettings relief of £40,000 is now withdrawn unless the letting occurred whilst the property was being occupied by the owner. In addition, the final period of ownership on which relief is automatically due is reduced from 18 months to 9 months.

Whilst we do not anticipate that our clients will be impacted by these changes, it is possible that questions arise on the helpline so we should be aware.

## **MINIMUM WAGE / STATE PENSIONS**

### *Minimum wage increases*

From April, new rates are as follows:

- National Living Wage for ages 25 and above – up 6.2% to £8.72
- National Minimum Wage for 21 to 24 year olds – up 6.5% to £8.20
- For 18-20 year olds – up 4.9% to £6.45
- For under-18s – up 4.6% to £4.55
- For apprentices – up 6.4% to £4.15

#### *State pension increase*

State pension sent to rise by 3.9%. Full new state pension will go up from £168.60 a week to approx. £175.20 per week in April.

However most pensioners are still on the older basic state pension rates but they will also increase from £129.20 to £134.25 per week.

### **TEMPORARY CORONAVIRUS MEASURES**

#### *Statutory sick pay*

Statutory sick pay will now be payable from day one for employees, rather than day four. For employers with fewer than 250 employees, the cost of statutory sick pay for two weeks per employee will be refunded in full by the government.

#### *Benefits for the self-employed*

It will be made easier for the self-employed to claim benefits:

- Contributory ESA will be payable for people affected by coronavirus, or self-isolating, from day one, rather than day eight. Entitlement is dependent on the national insurance record.
- People affected by coronavirus, or self-isolating, will be able to claim Universal Credit and access advance payments without attending a job centre
- For universal credit, for the duration of the outbreak, the requirements of the minimum income floor will be temporarily relaxed for those affected by coronavirus or self-isolating, ensuring the self-employed are compensated for losses in income

#### *£500m hardship fund*

There will also be a £500m hardship fund made available to local authorities to support economically vulnerable people and households. It is anticipated that most of this funding will be used to provide more council tax relief.

#### *Time to pay*

HMRC are scaling up their Time to Pay offerings to enable the self-employed and small businesses to spread tax payments where they are struggling because of coronavirus. There will be a dedicated 'COVID-19' helpline to help those in need, and they may be able to agree a bespoke Time to Pay arrangement.