



RPJ Accountancy

Budget Update

Key Budget Measures

1. PAYE & NI

Although the £12,500 personal tax allowance remains unchanged the Primary National Insurance threshold will increase to £9,500p.a.

This will result in some Directors salaries increasing next year where it is tax effective to do so. Where we administer a client's payroll this change will automatically be applied.

2. Increase in Employment Allowance

Employment allowance which gives small employers a rebate against their employer's national insurance contributions will be increased from £3,000 to £4,000 from April.

Again, we will automatically claim this relief on behalf of eligible clients for whom we provide payroll services.

3. Entrepreneurs Relief

Entrepreneurs relief which reduces the capital gains tax liability to 10% when selling your business has been significantly reduced. Prior to the budget entrepreneurs had a £10million lifetime allowance at which tax would be applied at 10%. This has been reduced to a £1million lifetime allowance.

4. Working From Home Allowance

The standard working from home allowance of £4 per week will be increase to £6 per week from April. As claiming this allowance requires no formal documentation, we will automatically include this allowance when preparing yearend accounts.

5. Electric Car Tax Rates

Company Cars are a taxable benefit with rates being applied to the value of the vehicle based on its fuel and emission type. Those tax rates have been steadily increasing to the point at which there is little or no benefit in having a company car, especially if you own the company.

However, if you would consider going fully electric from April, then all Battery Electric Vehicles (BEVs) will have a benefit in kind tax rate of 0% for 2020/1, 1% for 2021/22 and 3% for 2022/23. This means leasing a fully electric car for the next three years and putting it through as a company car becomes a lot more attractive. The price of fully electric cars is now the only downside.

6. Annual Pension Allowance

Although the allowance (£40kp.a.) hasn't changed the allowance taper levels have. In previous years once your adjusted income exceeds £150,000 then you lost £1 of pension allowance for every £2 you earned over this level.

From April the adjusted income level increases by £90,000 to £240,000 at which point the taper kicks in and your £40,000 annual allowance reduces by £1 for every £2 earned.

Temporary Support Measures

1. IR35 Changes Suspended

Although in the budget it was announced that planned changes to IR35 were to go ahead this has now been postponed by 12 months as part of the emergency support package for business.

2. Statutory Sick Pay

Businesses with fewer than 250 employees will be refunded the full cost of Statutory Sick Pay for up to 14 days, where an employee is off work due to coronavirus.

3. Business Rates

The Chancellor had announced during the budget speech that all retail and hospitality firms not already receiving full business rate relief will now do so for the next 12 months providing their rateable value is less than £51k.

It has now been announced that the 12 month rate relief will extend to retail and hospitality firms of any size "irrespective of rateable value".

If you are currently eligible for Small Business Rate relief there is additional emergency funding available. During the budget the Chancellor announced a one-off grant worth up to £3,000 however this has since been increased to between £10,000 and £25,000.

4. Business Interruption Loans

To further help support small business the Chancellor has announced a government backed loan scheme with an initial £330Billion being made available. The scheme, to be delivered by the British Business Bank will offer loans of up to £5million. The scheme is to be setup in the next few weeks.

We understand this may be a difficult time for many of our clients. Should you require any advice on the information we have provided, please contact us on:

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