

Budget 2020: State of play



A BIG PICTURE BUDGET WITH SOME POINTS OF INTEREST FOR SAVERS AND INVESTORS

After less than a month in the job, the UK Chancellor of the Exchequer, Rishi Sunak, was charged with delivering both reassurance and optimism against a challenging backdrop, including the Coronavirus epidemic, ongoing Brexit negotiations, a tumbling oil price and unsettled investment markets.

The headline announcements, some of which had been well flagged, included a sharp increase in infrastructure spending, fiscal stimulus to support the Bank of England's interest rate cut to 0.25% and measures to help smaller businesses mitigate the effects of the Coronavirus contagion.

Some of the broader measures making headlines

- A £30bn fiscal stimulus package to back the Bank of England's interest rate cut in response to the Coronavirus outbreak.
- Investment in public research and development is set to rise to £22bn per year by 2024-25.
- Fuel duties and all alcohol duties will be frozen for the next tax year.
- Increased spending on infrastructure includes money for broadband, mobile phone networks, housing, rail and roads.
- The national living wage will increase to two thirds of median earnings by 2024, taking it to £10.50 an hour, and will be extended to workers aged 21 or over.
- The lifetime limit for entrepreneurs relief - which reduces the Capital Gains Tax paid on the proceeds of a business sale - is cut from £10m to £1m.

That left relatively little room for significant developments in areas such as personal taxation, savings, pensions and investments. However, some nuggets did emerge:

National insurance contributions

An increase in the national insurance contributions threshold from £8,632 to £9,500 was a manifesto pledge made good. National insurance contributions will, from April 2020, only be payable on earnings over £9,500, which means someone earning £25,000 will see their contributions fall from £1,964 under the current rules to £1,860.

ISAs and other savings

The annual Individual Savings Account (ISA) allowance remains at £20,000 for the 2020/21 tax year. However, the annual allowance for Junior ISAs will double from £4,368 to £9,000, on 6 April 2020. The increase also applies to those families still holding Child Trust Funds, the forerunner of Junior ISAs.

The band of savings income subject to the 0% starting income tax rate will remain at its current level of £5,000 for 2020/21.

Entrepreneurs relief

This allowance means entrepreneurs pay just 10% Capital Gains Tax on the proceeds of a company sale, rather than the usual 20%. It remains in place, despite speculation that it would be scrapped, but the lifetime limit - the total amount of relief that one person can claim in their lifetime - will be reduced from £10m to £1m.

Pension allowances

Pension contributions are subject to an annual allowance for tax relief. Currently, for those with a 'threshold' income above £110,000, this is potentially reduced on a sliding scale of £1 for every £2.

The point at which the potential reductions kick in will now rise by £90,000, meaning they can no longer affect people with an income of less than £200,000. This measure is aimed primarily at Doctors, to prevent potential pension losses acting as a disincentive to work more hours. Those earning £300,000 or more will end up with a lower annual allowance than before, though.

The lifetime allowance for tax relief on pension savings is going up in line with inflation, as previously announced, taking it up to £1,073,100 from 6 April 2020.

Key tax allowances at a glance:

	2019/20	2020/21
ISA Allowance	£20,000	£20,000 (Unchanged)
Junior ISA Allowance	£4,368	£9,000 (Increased)
Pension Annual Allowance	£40,000	£40,000 (Unchanged)
Pension Taper Threshold	£110,000	£200,000 (Increased)
Pension Lifetime Allowance	£1,055,000	£1,073,100 (Increased)
Personal Savings Allowance	Basic rate taxpayers - £1,000 Higher rate taxpayers - £500	£1,000 (Unchanged) £500 (Unchanged)
Capital Gains Allowance	£12,000	£12,300 (Increased)

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