

Tax rates and allowances

Income tax allowances

	2020/21	2019/20
	£	£
Personal allowance	12,500	12,500
Income limit	100,000	100,000
Transferable marriage allowance¹	1,250	1,250
Married couple's allowance¹ (relief at 10%)		
Either partner born before 6.4.1935	9,075	8,915
Income limit	30,200	29,600
Minimum where income exceeds limit	3,510	3,450
Blind person's allowance	2,500	2,450
Dividend allowance	2,000	2,000
Personal savings allowance		
Basic rate taxpayers	1,000	1,000
Higher rate taxpayers	500	500

Income tax rates

Taxable income £	2020/21	2019/20	Rate %	Dividend rate %
0-37,500	0-37,500		20	7.5
37,501-150,000	37,501-150,000		40	32.5
Over 150,000	Over 150,000		45	38.1

Scottish taxpayers (non-savings, non-dividend income only)

Taxable income £	2020/21	2019/20	Rate %
0-2,085	0-2,049		19
2,086-12,658	2,050-12,444		20
12,659-30,930	12,445-30,930		21
30,931-150,000	30,931-150,000		41
Over 150,000	Over 150,000		46

Welsh taxpayers. For 2020/21 and 2019/20, the Welsh rates and bands are the same as for the rest of the UK (except Scotland).

A 0% starting rate for savings income only applies to the extent that such income falls within the first £5,000 of taxable income. If taxable non-savings income exceeds the limit, the starting rate does not apply. A 0% rate applies to savings income falling within the personal savings allowance. Income taxable at the starting rate for savings does not fall within the personal savings allowance. A 0% rate applies to dividend income within the dividend allowance.

The trust rate of income tax is 45%. The dividend trust rate is 38.1%.

¹ Available for civil partners.

National insurance contributions

2020/21	
Class 1 (Earnings related)	
Employees	
Weekly earnings	
First £183	Nil
£183.01-£962	12%
Over £962	2%
Employers	
Weekly earnings	
First £169	Nil
Over £169	13.8%

Employees' rates are reduced to 5.85% for married women with valid certificates of election but the 2% rate above £962 still applies. Rates are nil for employees over state pensionable age. Normal employers' contributions are still payable. Employers' rates for employees under 21 and apprentices under 25 are nil on earnings up to £962 per week.

Employment allowance

(per employer)-£4,000 a year. Available only where the employer's NIC liability for the previous tax year was less than £100,000.

Class 1A and Class 1B-13.8%

Class 2 (Self-employed)-Flat rate £3.05 a week. Small profits threshold £6,475 a year.

Class 3 (Voluntary contributions)-£15.30 a week.

Class 4 (Self-employed)-9% of profits between £9,500 and £50,000 a year. 2% of profits above £50,000 a year.

Inheritance tax

	2020/21	2019/20
Nil-rate band ¹	£325,000	£325,000
Residence nil-rate band ¹	£175,000	£150,000
Rate of tax on excess	40% ²	40% ²
Chargeable lifetime transfers	20%	20%

Annual gifts of up to £3,000 per donor are exempt.

¹ Unused nil-rate band is transferable to spouse or civil partner.
² 36% where 10% or more of the net estate is left to charity.

Capital gains tax

Annual exempt amounts 2020/21	£
Individuals, disabled trusts, personal representatives for year of death and two years thereafter	12,300
Trusts generally	6,150
Rates 2020/21	
Individuals: Standard rate	10%
Higher rate	20%
Trustees and personal representatives	20%
Gains on residential property and carried interest	18%/28%
Gains to which entrepreneurs' relief applies ¹	10%
Gains to which investors' relief applies ²	10%

Corporation tax

Financial Year to	31/3/2021	31/3/2020
Rate	19%	19%

Stamp taxes

Shares and marketable securities 0.5%³

Transfers of land and buildings⁴

Residential (on band of consideration) ^{5,6,7}		
£0-£125,000		0%
£125,001-£250,000		2%
£250,001-£925,000		5%
£925,001-£1,500,000		10%
Over £1,500,000		12%
Non-residential (on band of consideration)		
£0-£150,000		0%
£150,001-£250,000		2%
Over £250,000		5%
Leases (Rent-on band of net present value) ⁴		
Residential	Non-residential	
£0-£125,000	£0-£150,000	0%
Over £125,000	£150,001-£5,000,000	1%
N/A	Over £5,000,000	2%

Premiums⁴

Duty on premiums is the same as for transfers of land.

¹ Subject to lifetime limit on gains of £1 million.

² Subject to lifetime limit on gains of £10 million.

³ Rounded up to the nearest multiple of £5. Transactions of £1,000 or less exempt.

⁴ Transfers of land and leases in Scotland are chargeable to land and buildings transaction tax, and in Wales to land transaction tax. Different rates of tax may apply.

⁵ Where the consideration exceeds £500,000 and the purchase is by- or by a partnership including- a company or collective investment scheme enveloping the property, the rate is 15% of the total consideration.

⁶ Where the consideration is no more than £500,000 and the purchaser is a first-time buyer, the 0% band is increased to £300,000 (and the 5% rate applies to any consideration above £300,000). Includes qualifying shared ownership property.

⁷ Rates are increased by 3 percentage points for certain purchases, including purchases of additional residential properties by individuals. Transactions under £40,000 are excluded.

Car benefit

2020/21-cars first registered after 5 April 2020

CO ₂ emissions g/km	Electric range (miles)	% of list price
0	N/A	0
1-50	>130	0
1-50	70-129	3
1-50	40-69	6
1-50	30-39	10
1-50	<30	12
51-54		13
55-59		14
60-64		15
65-69		16
70-74		17
75-79		18
80-84		19
85-89		20
90-94		21
95-99		22
100-104		23
105-109		24
110-114		25
115-119		26
120-124		27
125-129		28
130-134		29

135-139	30
140-144	31
145-149	32
150-154	33
155-159	34
160-164	35
165-169	36
170 or more	37

Rates are 2% higher (up to max 37%) for cars registered before 6 April 2020.
4% supplement (up to max 37%) applies to diesel cars which do not meet the RDE2 standard.

Car fuel benefit

For 2020/21, car fuel benefit is calculated by applying the above car benefit percentage to a figure of £24,500.

Tax-free mileage allowances

Employee's own vehicle

Motorcars and vans	2020/21
Up to 10,000 business miles	45p
Over 10,000 business miles	25p
Each passenger making same trip	5p
Motorcycles	24p
Cycles	20p

Advisory fuel rates for company car from 1 March 2020

Cylinder capacity	Petrol	Diesel	LPG
0-1,400 cc	12p	-	8p
0-1,600 cc	-	9p	-
1,401 cc-2,000 cc	14p	-	10p
1,601 cc-2,000 cc	-	11p	-
Over 2,000 cc	20p	13p	14p

Advisory Electricity Rate for fully electric cars is 4p per mile.

Fixed rate deductions: unincorporated businesses

Vehicle expenditure	Amount per mile
Motorcars and goods vehicles	
Up to 10,000 business miles	45p
Over 10,000 business miles	25p
Motorcycles	24p

Business use of home

Hours worked per month	Amount per month
25 or more	£10
51 or more	£18
101 or more	£26

Private use of business premises

Number of occupants	Disallowable amount per month
1	£350
2	£500
3 or more	£650

Individual savings accounts

Limits	2020/21	2019/20
Annual limit	£20,000	£20,000
Junior ISA annual limit	£9,000	£4,368
Lifetime ISA annual limit	£4,000	£4,000
Help to Buy ISA monthly limit	£200	£200

Investment reliefs

	Investment limit	Income tax relief rate
Enterprise investment scheme ¹	£1,000,000	30%
Venture capital trusts	£200,000	30%
Seed enterprise investment scheme	£100,000	50%
Social investment relief	£1,000,000	30%

VAT

Standard rate	20%
Reduced rate	5%

Registration threshold	£85,000 pa
Deregistration limit	£83,000 pa
Annual accounting scheme turnover limit	£1,350,000 pa
Cash accounting scheme turnover limit	£1,350,000 pa
Flat rate scheme turnover limit	£150,000 pa

¹ Investment limit is £2,000,000 if any amount over £1,000,000 is invested in knowledge-intensive companies.

Capital allowances

Dredging (straight-line basis)	Rate %
Writing-down allowance	4

Know-how (reducing balance basis)	Rate %
Writing-down allowance	25

Mineral extraction (reducing balance basis)	Rate %
Writing-down allowances	
General	25
Acquisition of mineral asset	10

Patent rights (reducing balance basis)	Rate %
Writing-down allowance	25

Plant and machinery (reducing balance basis)	Rate %
Annual investment allowance—max £1,000,000 pa (max £200,000 pa from 1/1/2021)	100

First-year allowances	Rate %
New cars with CO ₂ emissions 50 g/km or less	100
New gas refuelling stations	100
New zero-emission goods vehicles	100
New assets for use in designated areas of enterprise zones (companies only)	100
New electric charge-point equipment	100

Writing-down allowances	Rate %
General	18
Cars (other than low-emission cars)	6
Special rate expenditure (including integral features and thermal insulation)	6
Long-life assets	6

Research and development

Allowance	100
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Structures and buildings

(straight-line basis)	
Writing-down allowance	3

Registered pension schemes

Individual contributions

Maximum tax-relievable contributions are the higher of:

- 100% of taxable UK earnings; or
- £3,600 (where the scheme applies tax relief at source).

2020/21

Annual allowance	£40,000
Threshold income limit	£200,000
Adjusted income limit	£240,000
Minimum where income exceeds limit	£4,000

Lifetime allowance	£1,073,100
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2019/20

Annual allowance	£40,000
Income limit	£150,000
Minimum where income exceeds limit	£10,000

Lifetime allowance	£1,055,000
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Any unused annual allowance can be carried forward for up to three years.

Tax credits

Annual amounts 2020/21	£
Child tax credit	
Family element	545
Child element (for each child)	2,830
Disabled child element	3,415
Severely disabled child element	4,800

Working tax credit

Basic element	1,995
Lone parent and couple element	2,045
30-hour element	825
Disability element	3,220
Severe disability element	1,390
Childcare element (up to 70% of costs)	
maximum eligible cost (1 child)	175
maximum eligible cost (2 or more)	300

Income thresholds

Income threshold	6,530
eligible for child tax credit only	16,385
Withdrawal rate	41%
Income rise disregard	2,500
Income fall disregard	2,500

Coming soon in Tax Journal:

- Local variations in DAC 6 implementation.
- Knowing when there is an enquiry: form over substance?
- Pillar one: what's next?