



TAX RATES 2020/21

A photograph of two men in business suits sitting at a table, looking at a tablet. The man on the left is pointing at the screen, and the man on the right is looking at it with a smile. The photo is partially obscured by a dark teal triangle on the left and a black triangle at the bottom.

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Many of the rates and allowances shown in this card are subject to a range of exceptions and special rules that apply in different circumstances. The details set out below should be taken only as a general guide.

PERSONAL TAX

INCOME TAX RATES (Excluding Scotland)	2020/21	2019/20
Savings allowance – tax rate of 0% on savings income:		
Basic rate taxpayers	£1,000	£1,000
Higher rate taxpayers	£500	£500
Additional rate taxpayers	£0	£0
Starting rate band* - tax rate of 0% on savings income up to:	£5,000	£5,000
Basic rate band – tax rate of 20% on savings and non-savings income up to:	£37,500	£37,500
Higher rate band – tax rate of 40% on savings and non-savings income	£37,501 - £150,000	£37,501 - £150,000
Additional rate band – tax rate of 45% on savings and non-savings income	£150,000+	£150,000*
DIVIDEND ALLOWANCE	2020/21	2019/20
Tax rate of 0% on dividend income up to:	£2,000	£2,000
TAX RATES ON DIVIDENDS:		
Basic rate band	7.5%	7.5%
Higher rate band	32.5%	32.5%
Additional rate band	38.1%	38.1%
RATES APPLICABLE TO TRUSTS		
Dividends	38.1%	38.1%
Other income	45%	45%

*Not available if taxable non-savings income exceeds the starting rate limit.

MAIN PERSONAL ALLOWANCES	2020/21	2019/20
Personal allowance*	£12,500	£12,500
Transferable tax allowance for married couples	£1,250	£1,250
Rent-a-room tax-free income	£7,500	£7,500

*Reduced by £1 for every £2 of income over £100,00

HIGHER INCOME CHILD BENEFIT CHARGE

1% of benefit per £100 of income from £50,000 to £60,000

PENSIONS	2020/21	2019/20
Lifetime allowance	£1,073,100	£1,055,000
Annual allowance*	£40,000	£40,000
Money purchase annual allowance	£4,000	£4,000

*Subject to taper down to £4,000 if threshold income over £200,000 and adjusted income over £240,000

INHERITANCE TAX

Taxable estate and gifts	2020/21	2019/20
Nil-rate band	£325,000	£325,000
Residence nil-rate band*	£175,000	£150,000
Standard rate of tax	40%†	40%†
Rate for chargeable lifetime transfers	20%	20%

*for estates over £2,000,00 tapered by 50% of excess

†36% where at least 10% of net estate left to charity.

Gifts within 7 years of death	0-3	3-4	4-5	5-6	6-7
% of standard rate	100	80	60	40	20

INDIRECT TAXES

VAT (VALUE ADDED TAX)

Standard rate	20%
Reduced rate (including businesses providing services in the hospitality, holiday accommodation and attractions sectors until 12 January 2021)	5%
Registration threshold from 1/4/20	£85,000
Deregistration threshold from 1/4/20	£83,000
Flat rate scheme turnover limit	£150,000
Cash and annual accounting schemes turnover limit	£1,350,000

BUSINESS TAX

CAPITAL GAINS TAX

Exemptions	2020/21	2019/20
Individuals, estates, certain trusts	£12,300	£12,000
Most trusts	£6,150	£6,000
Chattels exemptions – proceeds up to:	£6,000	£6,000
Tax Rates		
Individuals up to basic rate limit	10%	10%
Individuals above basic rate limit	20%	20%
Trusts and estates	20%	20%
Surcharge for residential property and carried interest	8%	8%

Entrepreneurs' relief

10% on lifetime limit of: £1,000,000

For trading businesses and companies (minimum 5% employee/director shareholding) held for at least 2 years.

RESEARCH AND DEVELOPMENT

Enhanced deduction for SMEs	230%
Above-the-line tax credit for large companies	13%

CAPITAL ALLOWANCES

Annual Investment Allowance of 100%	
(from 1 January 2019 to 31 December 2020)	£1,000,000
(from 1 January 2021)	£200,000
Main rate for plant and machinery	18%*
Special rate for long-life assets and integral features in buildings	6%*
Structures and buildings allowances	3%†
Motor cars – based on CO2 emissions	
• 50g/km or less**	100% first year
• 51-110g/km	18%*
• 111g/km or more	6%*

**Only for new cars. *Reducing balance. † Straight line.

NATIONAL INSURANCE CONTRIBUTIONS 2020/21

Class 1		
Employees		%
First £120.00 per week		Nil
Next £63.00 per week		*0
Next £779.00 per week		12
Above £962.00 per week		2
Employers	Under 21†	21 & over†
First £120.00 per week	Nil	Nil
Next £49.00 per week	0%	0%
Next £793.00 per week	0%	13.8%
Above £962.00 per week	13.8%	13.8%

*Treated as paid Class 1 NIC. †Age 25 if an apprentice.

EMPLOYMENT ALLOWANCE

Amount offset against employer's Class 1 NICs £4,000

Not available if a director is the sole employee. From 2020/21 not available to employers with an employer's NIC liability of more than £100,000 in the prior year.

Class 1A	Paid by employers on benefits in kind	13.8%
Class 1B	Paid by employers on PAYE settlement agreements	13.8%
Class 2	Paid by self-employed. Exemption available if net earnings below £6,475.	£3.05 per week.
Class 3	Voluntary rate	£15.30 per week.
Class 4	Paid by self-employed.	9% of profits between £9,500 and £50,000 plus 2% of profits above £50,000

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