

GMS Flash Alert

2020-054 | March 11, 2020



United Kingdom – Spring 2020 Budget Released

The Spring 2020 Budget announced by the U.K. Chancellor of the Exchequer on 11 March 2020, was both the first post-Brexit Budget and the first Budget of the current government leading to the Chancellor promising to “deliver change [and] get things done.”¹ The Budget was dominated by measures to support British businesses and individuals following the COVID-19 outbreak, and was fairly light on content affecting global mobility.²

The next Budget will be held in Autumn 2020, and further announcements are anticipated at that date.

Below we provide an overview of some of the Budget measures impacting individuals, including changes to U.K. tax-relieved pension annual allowance thresholds, introduction of a Stamp Duty surcharge for nonresident individuals buying U.K. property, and modifications of the annual thresholds for employee and employer NIC contributions.

WHY THIS MATTERS

For employers of globally mobile employees there is always a great deal of interest in Budget measures as they can have a direct impact on the cost of assignments.

Over recent years there have been significant changes introduced relating to the taxation of non-domiciled individuals, retirement benefits, and the treatment of termination payments; however no major changes were announced this Budget.

Overview of Main Measures

Pension Annual Allowance

The annual allowance is the maximum amount of U.K. tax-relieved pension savings permitted in a tax year. For those on the highest incomes, the annual allowance tapers down from £40,000, losing £1 in annual allowance for every £2 of “adjusted” income above a threshold.

From 6 April 2020, there will be an increase of £90,000 in each of two key thresholds. Broadly, the changes will reduce the impact of the tapering.

Only those with “threshold” income of £200,000 or more (previously £110,000) will need to calculate their tapered annual allowance. The annual allowance will only begin to taper down for individuals with an “adjusted” income (which includes pension accrual) above £240,000 (previously £150,000).

However, for those with “adjusted” income (including pension accrual) over £300,000, the annual allowance will taper down to a minimum of £4,000.

On pension scheme administration, the government will publish a call for evidence in relation to differences in how tax relief, and the resulting tax “top up,” is administered by schemes for those earning around or below the level of the personal allowance.

KPMG LLP (U.K.) NOTE

This change is expected to be welcomed by those who will be less impacted by the tapering of the pensions annual allowance in future, enabling them to make more U.K. tax-relieved pension contributions than before. The government acknowledges that this issue has been a particular problem for those working in the public sector.

For those on the highest incomes, the further reduction of the minimum annual allowance from £10,000 to £4,000 reflects ongoing policy to reduce limits for them when it comes to saving tax efficiently for retirement.

Other Measures

- The pension Lifetime Allowance will increase in line with CPI from £1,055,000 to £1,073,100 from 6 April 2020.
- A Stamp Duty surcharge of 2 percent for nonresident individuals buying U.K. property will apply from April 2021.
- The Immigration Health Surcharge (“IHS”) will increase from £400 per year to £624 per year from October 2020, with a rate of £470 for children. The IHS will be expanded to include European Economic Area (EEA) nationals from January 2021.

Personal Income Tax Rates

Income tax rates and thresholds for 2020/2021 remain unchanged from 2019/20, as shown in the table below.

The tax rates for Scottish taxpayers were previously set by the Scottish Parliament in February 2020³.

The National Assembly for Wales sets income tax rates for Welsh taxpayers. The draft Budget published in December 2020 confirmed that the Welsh income tax rates for the 2020/21 tax year are in line with the England and Northern Ireland rates.⁴

| | Rate | 2020/21 |
|--------------------|------|--------------------|
| Personal Allowance | 0% | £12,500 |
| Basic rate | 20% | £0 - £37,500 |
| Higher rate | 40% | £37,501 - £150,000 |
| Additional rate | 45% | Over £150,000 |

National Insurance Contributions (NIC)

The annual threshold for employee NICs will increase from £8,632 to £9,500 from 6 April 2020.

The annual threshold for employer contributions will increase from £8,632 to £8,788.

The upper earnings limit is frozen at £50,000 and there will be no changes to the NIC rates.

Next Steps

We are expecting a number of more detailed documents and consultation papers to be released over the coming weeks.

KPMG LLP (U.K.) will endeavour to keep readers information of any further developments that concern individuals, including those on international assignments, and their multinational employers.

FOOTNOTES:

- 1 For the speech, text, and other related documentation for the U.K.'s "Budget 2020," click [here](#).
- 2 For coverage of the previous Budget, see [GMS Flash Alert 2018-141](#) (30 October 2018).
- 3 For coverage of the 2020/21 Scottish Budget by KPMG LLP (U.K.), click [here](#)
- 4 For the Welsh government Draft Budget for 2020-21, click [here](#)

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