



Budget 2020

Impact on companies

In his first Budget speech, the Chancellor, Rishi Sunak announced and confirmed a number of measures which may have an impact on companies. Here we have outlined the key messages in this years Budget announcement.

Corporation tax

In line with the Conservatives election pledges, the proposed reduced rate of 17% which should have been coming into effect on 1 April 2020 will no longer go ahead. The corporate tax rate will remain at 19% for the foreseeable future.

Companies impacted by the corporate tax loss restriction from April 2020 will be able to offset these losses against chargeable gains.

From April 2021, large businesses will be required to notify HM Revenue and Customs (HMRC) when they take a tax position that HMRC is likely to challenge.

Structures and Buildings Allowances

The Structures and Buildings Allowances (SBA) which were introduced for qualifying expenditure on works contracted post 29 October 2018 will be increased from a rate of 2% to 3% from April 2020. This allows companies incurring capital costs to obtain tax relief over a period of 33 years instead of the previous 50 years.

Research and Development Expenditure Credit

The Research and Development Expenditure Credit (RDEC) will increase by a further 1% this year to 13%. This measure increases the tax relief for large companies, and small and medium sized enterprises in some cases, that carry out qualifying Research and Development (R&D) and claim the RDEC. As the credit is taxable, the net tax relief for qualifying businesses increases from 9.72% to 10.53%.

Digital Services Tax

Despite strong global political opposition, the Chancellor has confirmed that the Digital Services Tax (DST) for large multinational enterprises will be introduced from 1 April 2020, as previously announced in 2019. The levy of 2% on relevant revenues will most likely impact the 'FAANGs', being the

multinational internet companies such as Facebook, Apple, Amazon, Netflix and Google's of this world however, may have a trickle down impact on local suppliers or developers for these giants.

VAT

In time for Christmas, VAT on books, newspapers, magazines or journals whether read digitally or physically will be removed effective 1 December 2020. In addition, from January 2021, there will no longer be VAT charged on female sanitary products.

Plastic Packaging Tax

From April 2020, a flat rate of £200 per tonne will be imposed on plastic packaging where the packaging does not meet the minimum 30% recycled threshold.

Please us know if you have any questions or would like to discuss any of the above with our tax specialists. We would be happy to arrange a call.

Brexit

The government is undertaking a spending review which is due to conclude in July. In addition, from 1 January 2021 (after the end of the Brexit transitional period), postponed accounting for VAT will apply to all imports of goods, including from the European Union (EU). This will prevent VAT registered businesses that import from the EU from suffering a cash-flow disadvantage, and provide a cash-flow boost to businesses importing from outside the EU.

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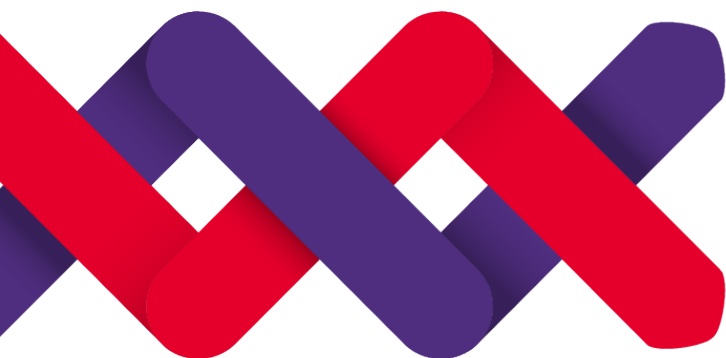


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