

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)

Learn more

Stay up-to-date with our latest **Markets and Insights** on our [website](#).

Important Information

This material is for information only and does not constitute an offer or solicitation to buy or sell any securities or other financial instruments, or to provide investment advice or services.

Opinions expressed within this document, if any, are current opinions as of the date stated and do not constitute investment or any other advice; the views are subject to change and do not necessarily reflect the views of Santander Asset Management as a whole or any part thereof.

Santander Asset Management UK Limited (Company Registration No. SC106669) is registered in Scotland at 287 St Vincent Street, Glasgow G2 5NB, United Kingdom. Authorised and regulated by the Financial Conduct Authority (FCA). FCA registered number 122491. You can check this on the Financial Services Register by visiting the FCA's website www.fca.org.uk/register.

www.santanderassetmanagement.co.uk. Santander and the flame logo are registered trademarks.