

What's changing for small businesses in the 2020/2021 tax year?



A new tax year is starting on April 6th, which will mean many of the changes announced in recent [Budgets](#) will come into effect. Before the 2020/2021 tax year kicks off, here's a roundup of some of the key changes for small businesses.

If you're looking for more info on the new measures the government has set out for the self-employed in response to the recent coronavirus outbreak, check out our [small business coronavirus support hub](#).

Changes to some tax and National Insurance rates and bands

Some of the rates and bands have been frozen, while others have increased. Here are the rates and bands that will come into effect on 6th April:

England, Northern Ireland and Wales

	2020/21	2019/20
Personal allowance	£12,500	£12,500
Employee's NI becomes due at	£9,500	£8,632
Employer's NI becomes due at	£8,788	£8,632
Higher rate tax becomes due at	£50,000	£50,000
Class 2 NI becomes due when profits exceed	£6,475	£6,365

Class 2 NI per week	£3.05	£3.00
Class 4 NI becomes due when profits exceed	£9,500	£8,632

Scottish Tax Rates and Bands

The [Scottish rates of income tax](#) will change to the below on 11th May 2020.

	2020/21	2019/20
Personal allowance	£0 - £12,500	£0 - £12,500
Starter rate 19%	£12,501 - £14,585	£12,501 - £14,549
Basic rate 20%	£14,586 - £25,158	£14,550 - £24,944
Intermediate rate 21%	£25,159 - £43,430	£24,945 - £43,430
Higher rate 41%	£43,431 - £150,000	£43,431 - £150,000
Top rate 46%	Over £150,000	Over £150,000

Employment Allowance Increased

The [Employment Allowance](#) will increase from £3,000 to £4,000 on 6th April but from this date, only businesses with an employer's NI liability of under £100,000 a year will be eligible to claim the allowance.

National Minimum Wage / National Living Wage rates per hour increased

The following rates will all increase on 6th April:

	2020/21	2019/20
Employees aged 25 and over: NLW	£8.72	£8.21
Employees aged under 18: NMW	£4.55	£4.35
Employees aged 18-20: NMW	£6.45	£6.15
Employees aged 21-24: NMW	£8.20	£7.70

Student Loan Income Thresholds

The levels of income above which student loan repayments are due will change on 6th April as follows:

	2020/21	2019/20
Undergraduate loan: plan 1	£19,390	£18,935
Undergraduate loan: plan 2	£26,575	£25,725
Postgraduate loan	£21,000	£21,000

Working from home rate for employees increased

If you operate your business through your own [limited company](#) and claim costs for working from home, HMRC will ask you for proof of any [working from home costs](#) of over £6 (rather than £4) from 6th April 2020.

Delays and cancellations to planned changes

Corporation Tax rate holds steady

The rate at which limited companies pay [Corporation Tax](#) was [originally planned to decrease from 19% to 17%](#) on 1st April but these plans have now been [cancelled](#). The rate of Corporation Tax will now remain at 19%.

IR35 changes delayed

Changes to the operation of [IR35](#) legislation in the private sector that were due to take effect on 6th April 2020 [have now been delayed](#) until April 2021.