There are various areas on the tax return and the supplementary pages where you may need to give additional information. TaxCalc has several 'buttons' throughout the program which allow you to do this, and each button will feed the information through to the relevant part of your Return.

The context-sensitive help for each screen tells you what data you may need to enter as additional information.

There is a maximum number of characters which will fit in each 'Additional information' box on your tax return and Supplementary Pages. To make sure that all your data have been transferred to your form, you should print a draft copy and check it carefully. If there is too much additional information, you should transfer the surplus to a separate sheet and attach it to your facsimile form.

Shared claims
If you are married and your spouse is incapacitated

If you have a dependent child you may be able to claim the additional personal allowance if you are:

- a single or widowed person
- a married woman separated from your husband
- a woman who married in 1997-98 and had a child living with you before your marriage
- a married man who does not get the married couple's allowance, because you are separated from your wife
- married, but living with a husband or wife who was totally incapacitated, physically or mentally, throughout the tax year.

The child must be under 16 on 6 April 1998, or in full-time education, or undergoing full-time training lasting at least two years for a trade, profession or vocation. He or she must be either your own child (including a stepchild or child you have legally adopted), or any other child who was aged under 18 whom you maintain at your own expense (eg a younger sibling). Enter the child's name, and other information requested.

The allowance is worth 15 per cent of £1,830 in the 1997-98 tax year, i.e. £274.50. This is deducted from your tax bill in the 'Allowances and reliefs given in terms of tax' section of the detailed tax summaries (on the 'Tax' menu). You get the same allowance however many qualifying children you have: claim for the youngest child, unless someone else is already claiming for him/her. Note, too, that if you are living with someone as husband and wife without being married you can get only one allowance between you.

Shared claims

If two people can claim the additional personal allowance for the same child (ie if the child lives with each of them for part of the year), the allowance is divided between them in agreed proportions. If they cannot agree, the allowance is divided in proportion to the time the child spends with each of them during the year.

Enter the percentage you are eligible for, or the number of days if the allowance is divided in proportion to time spent. Note that if you do not enter a percentage or the number of days, but have given the name of a child for whom you are claiming the allowance, TaxCalc will automatically assume that you are entitled to 100 per cent of the allowance. Also enter the name and address of the other person claiming (including the postcode).

If you are married and your spouse is incapacitated

Click here if you have a dependent child and want to claim the allowance, although you are married, because your spouse is incapacitated. Husbands have long been able to claim this allowance if their wives are incapacitated: in the 1998 budget, the allowance was extended to wives with incapacitated husbands, with claims backdated to the beginning of the 1997-98 tax year.

The Inland Revenue requires you to enter profits for a particular accounting period. However, you can make various adjustments to this profits figure.

Adjustment to arrive at basis period

If your basis period is not the same as your accounting period, you need to make an adjustment to the figures you have already entered. If so, enter the figure here. This can be a positive or a negative figure - ie it may increase your net profit or reduce it. If the adjustment figure reduces your net profit, enter the figure as a 'minus'.

The adjustment is worked out by first averaging your profits out over the correct period, to find your profit or loss for your basis period. Then, you take the difference between this figure and the figure you have entered as your profit or loss for the 1997-98 accounting period. The result is the adjustment you need to make. See Inland Revenue Help Sheet IR222: *How to work out your taxable profits*, for more information.

Example

Chris started his business on 6 October 1996 and his first accounts showed a profit of £9,000 for the 9 months' accounting period ended 5 July 1997. His basis period for the 1996-97 is the 6 months from 6 October 1996 to 5 April 1997. So, for his first tax year in business (1996-97) Chris is taxable on 6 month's worth of profits out of the 9 month period to 5 July 1997: - 6/9 x £9,000 = £6,000.

In the second tax year Chris is in business, ie 1997-98, the accounting period ending in the year is for only 9 months. His basis period is therefore the first 12 months to 5 October 1997. His profit for the accounting period to 5 July 1998 is £18,000: his taxable profit for the 1997-98 tax year is made up of nine months profit from the first accounting period and three months from the second accounting period :

9/9 x £9,000 = £9,000
3/12 x £18,000 = £4,500

Total = £13,500

The self-employment supplementary pages show the profits for the accounting period ending in the 1997-98 tax year, ie £9,000. But to bring this up to the £13,500 on which he is actually taxed, Chris must enter £13,500 - £9,000 = £4,500 in the 'Adjustment' box. Because the accounting period ends on 5 July, Chris has the information needed to work out the adjustment in plenty of time to send in the tax return: had this information not been available, he would have had to estimate the adjustment.

Farmers' averaging

If you are a farmer or market gardener you may be able to claim to average two years' profits. You will need the Inland Revenue Help Sheet IR224 *Farmers and Market Gardeners*, which explains more. As with the adjusted profit figure - if you do enter an amount here and it should be deducted from your net profit, enter the figure as a minus.

Overlap profit

Enter the amount of 'overlap profits' - see IR Help Sheet IR222 *How to calculate your taxable profits* (available in the Help Sheets section of TaxCalc's help file) for how to work this out.

Overlap relief

In some circumstances, because of the way in which your basis period can overlap with your accounting period, you can end up being taxed on the same profits in two consecutive years. These profits are called 'overlap profits' and the special relief which you can claim to compensate is called 'overlap relief'. Note though, that you can claim this relief only when you close down or sell your business, or if you change your accounting date.

You may have overlap profits because:

- you joined the partnership before 6 April 1994. Under the old rules some profits would have dropped out of account when the business ceased or was sold. That does not happen under self-assessment rules. In compensation, you are entitled to what is called transitional overlap relief. The amount of that relief is calculated by reference to the amount of your profit between the end of your basis period for 1996-97 and 6 April 1997
- you joined the partnership on or after 6 April 1994, and the special rules for new businesses meant your basis periods have overlapped resulting in some of your profits being taxed twice. The amounts taxed twice are your overlap profits.

Enter here any overlap relief brought forward from 1996-97 and the amount of overlap relief (if any) being claimed for 1997-98. If the overlap relief is greater than your taxable profits it creates a loss and will increase an existing loss. If you have more overlap relief brought forward than you are using in 1997-98, TaxCalc will show the rest as an amount to carry forward, on your self-employment supplementary page.

Examples of the 'other' types of income or profits which could be entered here are:

- freelance or casual earnings (you only have to enter your profits from this sort of activity, so deduct any allowable expenses from the income you receive before you enter it)
- accrued income when you transfer certain types of security, for example, British Government stocks (enter only the excess of accrued income charges after accrued income reliefs)
- certain types of income received after a business has ceased
- rental from leasing equipment you own
- annual payments from an unauthorised UK unit trust
- any *taxable* 'cashbacks' which you receive as incentives, for example, to take out a mortgage or buy a car - these are only likely to be taxable as income where the cashback consists of payments receivable in more than one year
- sickness benefits paid after you stopped working for an employer, but only to the extent that you did not contribute to the cost of the benefits (for example, by paying insurance premiums). Sick pay if you are still working for the employer goes in the 'employment' screens.

Also see Inland Revenue Help Sheet IR325 *Other income,* particularly if you have 'other income' from more than one source. Any investment income not listed above for which you have not found an appropriate section should be entered on the **Other investments** screen in the Savings and Investments section of TaxCalc, not here.

Note
If you are not sure whether a 'cashback' is taxable, you should enter it anyway, but also tick the 'Click here if any figures are provisional' box on the **Other tax matters** screen in the Other information section of TaxCalc, and give details under 'Additional information' on the same screen.

Source

Enter a simple description of the source of the income. This is not needed for the tax return but TaxCalc requires at least a one-character entry for identification purposes.

Amount after tax

Enter the net amount of income received after the tax has been deducted.

Tax deducted

Enter the amount of tax deducted (if any) from the income before you received it.

Amount before tax

Enter the gross amount of income before tax has been deducted.

Losses brought forward

If you have allowable losses from earlier years (and which you have not already set against previous income), enter them here.

Losses used in 1997-98

Note that you can only set these losses against certain types of income (e.g. not against income from unauthorised unit trusts), so see Inland Revenue Help Sheet IR325: *Other income* to work out what you should enter here. The amount entered is deducted from the taxable amount of 'other income' so there is no point in entering more losses than you need to reduce your 'other income' to zero. You can carry forward unused losses to future years.

Losses sustained in 1997-98

Enter here the total of any losses made in 1997-98 which relate to 'other income', for example, if you made a loss on leasing out equipment. This section is only for losses not already entered elsewhere. You can carry the losses forward to set against any relevant 'other income' in future years.

> **Note**
> Enter any additional information using the 'Additional information' button on the **Other tax matters** screen, under Other information.

Post cessation and other business receipts

If you have this type of income you can either:

- enter the total in this section in which case it will form part of your income from 1997-98, **or**
- you can elect to have the income taxed as income of the year in which the business ceased

If you choose the latter do not include the income on this **Other Income** screen, instead click the relevant box on the **Other tax matters** screen, under Other information, and give details of the amount you wish to claim and the year in which the business ceased.

Basic costs and general running expenses

Expenses normally allowed are: the cost of goods bought for resale and raw materials used in business; discounts allowed on sales; advertising; delivery charges; heating; lighting; cleaning; business rates; proportion of the council tax on a second home or main home if let out or used for business; telephone; rent of business premises; replacement of small tools and special clothing; postage; stationery; relevant books and magazines; accountants' fees (mostly); bank charges on business accounts; VAT if you are not registered. However, the initial cost of buildings, machinery, vehicles, equipment and permanent advertising signs is not allowable. Neither is any money paid as a result of extortion.

Use of home for work

The proportion attributable to your business use of telephone, lighting, heating, cleaning and insurance costs is allowable. Also a proportion of rent, business rates, council tax and (in Northern Ireland) domestic rates, if you use part of your home **exclusively** for business.

Wages and salaries

Wages, salaries, redundancy and some leaving payments paid to employees are allowable. Also, payments on counselling employees made redundant and pensions for ex-employees and dependants. Your own wages or salary, or that of any business partner are not allowable.

Workplace nurseries

The cost of some types of child care provision for employees' children is normally allowable, however, the cost of premises and equipment is not.

Tax and National Insurance for staff

Employer's National Insurance contributions for employees are normally allowed. Also, VAT on allowable expenses if you are not a registered trader for VAT - you can claim relief on the VAT by using VAT-inclusive prices for your allowable expenses. The following, however, are not allowable: income tax; Capital Gains Tax; inheritance tax; your own National Insurance and VAT if you are VAT registered.

Entertaining your staff

Entertainment of **your own** staff, for example, a Christmas party, is allowable. Any business entertainment is not allowed.

Gifts

Gifts costing up to £10 a year to each person are normally allowable, so long as the gift advertises your business . Food, drink, tobacco, gifts or vouchers for goods given to anyone other than employees are not allowable.

Travelling

The cost of travel and accommodation on business trips and travel between different places of work is allowable. Also, some of the running costs of your own car: the whole cost, excluding depreciation, if used wholly for business; a proportion if the car is used privately too. Provided trips are exclusively for business purposes, the cost of travel is allowable to and from the UK to carry on business performed wholly outside the UK. Travel between home and business, and meals, except the reasonable cost of evening meals and breakfast on overnight trips, are not allowable. Neither is the cost of buying a car or a van (you can claim capital allowances instead for these).

Interest payments

Interest on, and costs of arranging, overdrafts and loans for business purposes are allowable, but not interest on loans paid or credited to partners or interest on overdue tax.

Hire purchase and leasing

Hire purchase

The hire charge part of payments (ie the amount you pay less the cash price) is allowable. Also, rent paid for leasing cars or machinery (although it may be restricted for expensive cars - see leasing, below). The cash price of whatever you are buying on hire purchase is not allowable.

Leasing cars

If you lease a car with a retail price when new of more than £12,000, part of the leasing cost is not allowed as an expense. However, this restriction does not apply to vehicles which are designed primarily for carrying goods, or which are unsuitable (and not commonly used) as private vehicles. Nor does it apply if your trade consists of running a taxi or hire car business for the general public.

If the restriction applies, work out the allowable proportion of the cost as follows:

deduct £12,000 from the retail price of the car when new and add half of this excess

back to the £12,000.
multiply this amount by the leasing cost
divide this amount by the retail price.

Example

Retail price of car when new = £25,000

Annual leasing cost = £8,000

£25,000 - £12,000 = £13,000
£12,000 + £6,500 = £18,500
£18,500 x £8,000/£25,000 = £5,920

£5,920 is the part of the leasing cost which can be treated as an allowable expense.

Hiring

Reasonable charges for hiring capital goods, including cars, are normally allowable.

Insurance

Business insurance (eg employer's liability, fire and theft, motor) is allowable. Also, life insurance, personal accident insurance, permanent health insurance and private medical insurance for employees. Your own life, accident, permanent health and private medical insurance are not allowable.

Trademarks, designs and patents

Fees paid to register a trade mark or design, or to obtain a patent are normally allowable. However, the cost of buying a patent from someone else is not allowable (you can claim capital allowances instead).

Legal costs

The costs of recovering debts, defending business rights, preparing service agreements and appealing against rates on business premises are allowable. Also, the costs of renewing a lease with the landlord's consent for a period not exceeding 50 years (but possibly not in full if a premium is paid). However, expenses (including stamp duty) for acquiring land, buildings or leases are not allowable. Neither are fines and other penalties for breaking the law nor the costs of fighting a tax case.

Repairs

Normal repairs and maintenance to premises or equipment are allowable. The cost of additions, alterations and improvements is not allowable.

Debts

Specific bad debts and, in part, doubtful debts are normally allowable, however, general reserve for bad or doubtful debts is not allowable.

Subscriptions and contributions

Payments which secure benefits for your business staff and genuine contributions to an approved local enterprise agency are allowable. Also, payments to professional bodies which have arrangements with the Revenue (in some cases only a proportion) and contributions to Business Link organisations or Training and Enterprise Councils.

Training

Subject to certain conditions, the cost of training employees to acquire and improve skills needed for their current jobs is allowable. Also, the cost of training employees who are leaving, or who have left, in new work skills.

Secondments

The cost of seconding employees on a temporary basis to certain educational bodies, including local education authorities and institutions maintained by them, and to charitable institutions is allowable.

Capital allowances
Adjustment to arrive at profit/loss

Turnover

Accounts normally have to be kept on an 'accruals' basis. This means that income has to be included in your accounts according to the date an invoice is issued, regardless of whether any payment has been received. Some small traders and professionals can work on a cash basis instead, but only with the Revenue's agreement (and the cash basis for professionals is being phased out from 1999).

Enter your turnover for the relevant accounting period and any other taxable business receipts on this screen. If your annual turnover is less than £15,000, you have a choice. The Inland Revenue allows you to give only 'three-line' accounts, that is, your turnover, your allowable expenses, and your profits. You can, however, give fuller information in the same way as larger businesses, if you prefer. Note that 'annual turnover' is the amount assuming your accounting period ran for a full 12 months - if it did not, the £15,000 limit is reduced (if it was shorter), or increased (if it was longer). TaxCalc automatically works out the 'annual turnover' limit, depending on the length of your accounting period, and will warn you if you enter the limited information required for three-line accounts, but you breach the £15,000 limit. TaxCalc will also enter your information in the correct place on the tax return.

If you are entitled to give only three-line accounts, you need only complete the 'Turnover' box, but you should include in the figure you enter any other business income, together with the value (normal selling price) of all goods taken out of the business for your personal use, or for your family or friends (less anything you paid for them). Exclude balancing charges - these should be entered on the 'Capital allowances' screen.

If your annual turnover for this business is £15,000 or more you must give the further details requested in the box.

VAT

Since 1 December 1997 you have had to register for VAT if, at the end of any month the taxable turnover of all your business activities in the year ending on the last day of that month has exceeded £49,000. Between 27 November 1996 and 30 November 1997 this limit was £48,000. However, if you can satisfy Customs and Excise that your taxable turnover due in the next 12 months will not exceed £47,000 (was £46,000 between 27 November 1996 and 30 November 1997), then you won't have to register.

At £49,000 and under, it is up to you whether to register. Registration can cut your costs, but it requires more record-keeping. Contact your local VAT office (under Customs and Excise in the phone book) for more details.

If you are not VAT-registered, you cannot claim back VAT on things you buy for business, but you can use prices including VAT when working out your allowable expenses and capital allowances for income tax.

If you are registered for VAT you can enter details of business income and allowable expenses either all **net of VAT** or **all inclusive of VAT**.

If you choose to show income and expenses inclusive of VAT then include your net payment to Customs and Excise as an expense under 'Other expenses' in the **Expenses** screen

Any net repayment you receive from Customs and Excise should be included as a taxable receipt in the 'Other income/profits' box on this screen.

You may have bought capital equipment on which you are claiming capital allowances instead of deducting them as expenses. If so, there is no obvious place to claim the VAT if you are entering VAT-inclusive figures. To deal with this, you should add the VAT to the amount entered in 'Other expenses' on the **Expenses** screen or (if you received a net refund from Customs & Excise) deduct it from the figure entered in box 'Other income/profits' on this **Turnover** screen. Also write in the amount of VAT on capital items under 'Additional information' on the **Business details** screen.

> **Note**
> If you registered or deregistered for VAT during the accounting period, you should make a note of the fact in 'Additional information' on the **Business details** screen, together with the date it took effect and whether sales and expenses while you were registered were inclusive or exclusive of VAT.

Other income/profits

Enter here any other business income not included above, but NOT Business Start-Up or Enterprise Allowance, which should go instead under the screen headed **Other income/deductions**. Examples of the type of income you might enter here would be rental income, interest your business received from a bank or building society account, or discounts you received - but be careful. If you have included any of this income elsewhere in TaxCalc (and therefore in your tax return), and you are entering it here, make sure you enter it in the box 'Deductions from net profit' lower down on this screen, otherwise you will be taxed twice on it.

Goods etc taken for personal use

You must make adjustments to your profits for goods taken out of the business for your personal use or for your family and friends. Enter here the value of all goods taken out for such use. The 'value' is the normal selling price, minus anything paid for them.

Deductions from net profit

Enter in this box any adjustments for amounts you took into account in arriving at your net profit or loss, but which are either not taxable receipts or are not taxable as profits from your trade or profession. Remember to include any taxable income entered both in **Other Income/profits** above and in another part of your return, so that you do not pay tax twice on these amounts. See the notes that accompanied your Self Employment supplementary Pages for more information. TaxCalc will deduct any amount entered here from your net profit (or add it to your loss if applicable).

If you have accounts, they may include a balance sheet in which case you should simply copy the entries on your balance sheet to this screen. TaxCalc will transfer the information on this screen to page four of the self-employment supplementary pages.

If you do not have a balance sheet, or your turnover was less than £15,000, or you clicked the 'Full details are not required' box on the **Details** screen, you do need not complete this screen.

Make sure that you have transferred all the figures to the summary and that each is included only once. Do not include any figures that do not appear on your balance sheet.

You should use your judgment to transfer the figures from your accounts to the most appropriate boxes. Depending on the circumstances of your business, certain elements in the balance sheet may appear either as assets or as liabilities. For example, a bank account with business funds in it will be an asset, while an overdrawn account will be a liability. For the former, enter the balance under 'bank/building society balances'. For the latter, enter the balance in 'loans and overdrawn bank accounts'.

Other items that might be affected in this way are most commonly the Capital Account balances and the net profit or loss. Where a balance on the Capital Account is overdrawn, or the business made a net loss in the year, you should enter the amount as a minus figure.

Any additional information which may be necessary should be entered in the 'Additional information' box.

TaxCalc bases its calculations on the 'tax calculation working sheets' used by the Inland Revenue. The basic working sheet is sent out with the tax return, but there are alternative versions for people in various circumstances. TaxCalc uses the right one for you, depending on what you enter, and for ease of comparison the reports it gives you are laid out like the Inland Revenue working sheets, using the same box reference system but omitting some of the shading and detail for ease of printing. (If a box is omitted from the numbering, this is because it refers to something not handled by TaxCalc, for example, overseas income received by a partnership.)

We recommend that you have a copy of the appropriate Inland Revenue working sheet to hand for reference (copies are available from the Inland Revenue Orderline, Tel: 0645 000 404, e-mail: saorderline.ir@gtnet.gov.uk). The notes accompanying the working sheets also give useful explanations of how the tax is worked out.

Which detailed summary?

Use the standard detailed summary only if none of the following apply. Otherwise, use:

- the 'lump sums' summary if you have taxable life insurance gains, refunded AVCs, or taxable redundancy or compensation on leaving a job. Also use this summary if you have received income (which has had basic-rate notional tax deducted) from the estate of someone who has died, e.g. taxable life insurance proceeds
- the 'capital gains' summary if you have taxable capital gains
- the 'lump sums' and 'capital gains' summary if you have both 'lump sums' (as defined above) *and* taxable capital gains.

Page 1

Total income

This first page covers all the taxable income you have entered (minus any allowable expenses from employment or self-employment). Tax-free income is ignored. Note that the figure for employment includes the taxable value of any taxable fringe benefits or expenses from your employer, such as a company car. If you want to see how TaxCalc has worked out the tax on your company car, see the Company car breakdown on the 'Tax' menu, and for a list of the taxable investments you have entered, see the Savings breakdown on the same menu. For most other types of income, you can see the underlying calculations by going to the appropriate supplementary sheet on the 'Forms' menu.

Deductions

Here you will see only the outgoings on which you get full tax relief. You will not see outgoings on which you get only restricted tax relief, such as mortgage interest, or most types of maintenance - these appear on later pages under 'Allowances & reliefs given in terms of tax'. However, you will see an entry at 'Maintenance' if you pay maintenance of more than £1,830 under the old rules - in this case, you still get full tax relief on the excess above £1,830, and this is what you will see here.

Your total income less deductions is the basis for all the calculations which follow.

Page 2

This page carries out some of the preliminary calculations needed in order to work out your tax.

Pension/training payments made net

If you're an employee and pay net contributions to a personal pension or free-standing AVC scheme, or vocational training fees, you normally deduct basic-rate tax before making the payment. Yet the before-tax (gross) amount has already been deducted from your total income on page 1. So, to stop you getting two lots of tax relief, any relevant payments are sub-totalled here and added back in to the lower- and basic-rate calculations at box W24.

Allowances

Shown here are those allowances on which you get tax relief at your top rate of tax. They are valuable because they also reduce your taxable income for the purposes of deciding what top rate of tax you pay. This section sub-totals the allowances to which you are entitled: they are deducted from your income at box W26.

If you have told TaxCalc that your spouse has blind person's allowance which they cannot use, and which they wish to transfer to you, this will also be shown here.

Transitional allowance will only apply if you are a married woman and your husband's low income meant that you lost out when independent taxation for married couples was introduced in the 1990-91 tax year.

Savings income taxed at the lower (20%) rate

Since 6 April 1996, most income from savings and investments has been taxed at only 20 per cent for both lower-rate and basic-rate taxpayers. Higher-rate taxpayers pay the full 40 per cent tax on it. The amount of such income is sub-totalled here. It is then deducted from the basic-rate calculation (because 20 per cent tax has already been charged on it in the lower-rate calculation). For higher-rate taxpayers, the income is added back in and, in addition to the normal 17 per cent higher-rate tax, an extra 3 per cent is charged to bring the total of tax on it to 20+17+3=40 per cent.

Allowances and reliefs given in terms of tax

These are allowances and outgoings on which you get restricted tax relief at 15 per cent. Instead of deducting the full value of the allowance or payment from your total income, as with other allowances, the tax relief is deducted from the income tax due at W43. This means that you do not benefit fully unless your tax so far is at least as high as the relief due.

Married couple's allowance can be transferred from your spouse if he or she cannot make full use of it. The amount will be shown here, if you entered it in the allowances section (your spouse should run TaxSaver in his or her TaxCalc file to see if there is surplus to be transferred).

Notional tax

This covers those types of dividends and unit trusts which come with 'notional tax' deducted (including income of this kind from trusts and estates). Notional tax counts as tax paid but cannot be reclaimed, even by non-taxpayers, so the amount is sub-totalled here and then deducted from the income tax due later on in the calculation at W44. This means that you do not benefit fully unless your tax bill is at least as high as the relief due.

Page 3

This page is the core tax calculation. It shows the income tax and class 4 National Insurance due for the year. However, you will already have paid some of it - the later pages take this into account.

Extra tax on savings income

If you are a higher-rate taxpayer, you should pay 40 per cent tax on this income. However, because it is excluded from the basic-rate tax calculation, so far only 20+17=37 per cent tax has been charged on it. This section takes your savings income (or the amount of income within the higher-rate band, if less) and charges an extra 3 per cent on it.

VCTs and EIS subscriptions

This shows the 20 per cent tax relief you are entitled to on any qualifying contributions to venture capital trusts or Enterprise Investment Schemes. The tax relief is deducted from the amount of income tax due, so you do not benefit fully unless your tax so far is at least as high as the relief due.

Tax credit relief

There are two types of tax credit relief which may appear here. These are tax credit relief on foreign income and, if you received taxable share incentives, tax credit relief for any tax deducted by your employer under the PAYE system.

Class 4 National Insurance contributions

These are payable on profits from self-employment, either as a sole trader or as member of a partnership.

Recoverable tax on charitable covenants, annuities and gift aid payments

If you give to charity through one of these methods, you have already given yourself basic-rate tax relief by deducting 23 per cent from your payments. Adding it back here means that you do not get two lots of tax relief (and it also claws back the tax relief from non-taxpayers).

Page 4

This page takes your income tax for the year, and then deducts any tax already paid in order to find out how much you actually owe the Revenue. It also makes adjustments for things such as tax refunds already received, or tax outstanding from earlier years. For this reason, it is important that you enter all these figures in the Other information section of TaxCalc.

Unpaid tax for earlier years included in PAYE code for 1997-98

Your PAYE code for 1997-98 may have been used to collect tax still owing from a previous tax year. If so, the amount relating to previous years does not reduce the amount of tax you owe for 1997-98, and has to be added back in here.

Tax paid at source

This sub-totals all the tax you have entered as having been deducted at source, eg as PAYE from your job, or through tax deducted from savings income before it was paid out (but not payments on account, which are dealt with at W60). The total is deducted from your tax for the year.

Tax due for 1997-98 included in next year's PAYE code

Your tax office may already have decided that some of the tax you owe can be collected through PAYE in 1998-99 (you can find this figure from the PAYE Coding Notice, usually received in about January each year). In this case, TaxCalc deducts from your tax bill the figure shown here.

Payments already made

Any payments on account you have already made (eg in January 1998) will be shown here and deducted from the amount due.

Payments on account

Under the system of self-assessment, you may have to pay your tax in instalments if you are self-employed, have income from property, or receive any other income which is not taxed before you get it. These 'payments on account', as they are called, are equal to half of your income tax and class 4 National Insurance contributions liability for the previous tax year (capital gains tax is payable in one go on 31 January after the end of the tax year in question).

However, you do not have to make payments on account for 1998-99 if your tax outstanding from 1997-98 is below £500 or if most (80%) of your tax is collected at source. TaxCalc takes this into account. You may also be able to claim a reduction in your payments of account in some circumstances, eg you expect your income to fall - see the notes to the Inland Revenue's Tax Calculation Guide.

Tax of under £1,000 to be collected by PAYE

If you pay tax through PAYE, and have tax of less than £1,000 outstanding from 1997-98, the Inland Revenue will collect it through your PAYE code (so that the tax is deducted bit by bit from your weekly or monthly pay). However, if you prefer, you can opt to pay amounts under £1,000 separately, rather than through your tax code, by clicking on the appropriate box on the **Other tax matters** screen in the Other information section of TaxCalc. If you do this, and the tax due is more than £500, you may still have to make payments on account for 1998-99.

Page 5

Amount due on 31/1/99

The 31 January tax payment each year 'sweeps' up all the tax outstanding for the previous tax year. But it is also the date for your first payment on account (if you make them) for the current tax year. So the figure TaxCalc will show you as being due to pay on 31 January 1999, may comprise:

- any tax outstanding from 1997-98 (unless this is less than £1,000 and being collected through PAYE)
- your first payment on account for 1998-99
- *less* any tax repayments you are due because you are carrying pension contributions made after 5 April 1998 back to the 1997-98 tax year, or because you have claimed to carry back trading losses.

In England and Wales you must be registered as blind on a local authority register to be eligible for this allowance. You are not eligible if you are partially-sighted rather than blind.

In Scotland and Northern Ireland, where there is no local authority register, you qualify if you are unable to perform any work for which eyesight is essential. There are various local schemes with which you can register.

If you live in England or Wales, enter the local authority with which you are registered, and the date on which you registered. If you live in Scotland or Northern Ireland enter either 'Scotland claim' or 'Northern Ireland claim'.

The allowance is £1,280 in 1997-98 and you get relief at your top rate of tax.

Date of registration

Enter the date on which you were registered. Note that if you are in the process of registering, but your registration is delayed until after 5 April 1998, you can still claim the allowance if you have evidence of blindness at that date. This will usually be an ophthalmologist's certificate, if this was used as the basis for registration. If this applies to you, enter the date of the certificate, and explain the situation by clicking on the 'Additional information' button in the 'transitional allowance' screen.

Transfer of surplus allowance

If you are married, you can transfer any unused blind person's allowance to your husband or wife, whether or not he (or she) is blind, so it is important that both of you run TaxCalc. If it would benefit you to transfer unused allowances (which TaxCalc will tell you if you run Tax Saver) click the relevant box depending on whether you are claiming the unused allowance or you are transferring it to your spouse.

If the surplus is being transferred to you, enter the amount to be transferred. You can find this out by asking your spouse to run TaxCalc with his or her own data, and then clicking on the TaxSaver icon. The relevant message will tell you how much is available to transfer. The same applies if you want to transfer your unused allowances to your spouse: open your own TaxCalc file and click on the Tax Saver icon. You do not need to enter in your own file the amount you are transferring to your spouse - just click the 'I want my spouse to have my surplus' button and make sure your spouse has entered the amount in his or her own file.

Additional information

If you want your spouse to have any unused blind person's allowance you should enter your spouse's name, address, tax reference, national insurance number and tax office into the 'Additional information' box on the **Transitional allowance** screen.

Also do this if you are the person claiming the unused allowance.

Enter on this screen your expenses for the relevant accounting period. If your annual turnover is less than £15,000, you have a choice. The Inland Revenue allows you to give only 'three-line' accounts, that is, your turnover, your allowable expenses, and your profits. You can, however, give fuller information in the same way as larger businesses, if you prefer. Note that 'annual turnover' is the amount assuming your accounting period ran for a full 12 months - if it did not, the £15,000 limit is reduced (if it was shorter), or increased (if it was longer). TaxCalc automatically works out the 'annual turnover' limit, depending on the length of your accounting period, and will warn you if you enter the limited information required for three-line accounts, but you breach the £15,000 limit. TaxCalc will also enter your information in the correct place on the tax return.

If you are entitled to give only three-line accounts, you need only complete the 'Overall total expenses' box. Include only expenses which are allowable against tax (see Main allowable business expenses). Exclude capital allowances - these should be entered on the **Capital allowances** screen.

If your annual turnover for this business is £15,000 or more you must break down your expenses as requested in the box. Enter the total amount of the expenses you incurred for each category in the right-hand column. If any part of the expense is not allowable against tax enter this in the left-hand column. For more information see Disallowable expenses and Total expenses. Also see: the *Notes on self employment* which accompanied your tax return in which there is a table which provides specific information on each item; Inland Revenue Help Sheet IR229 *Information from your accounts;* and Main allowable business expenses.

Disallowable expenses

Some of the amounts you include as business expenses in your accounts may not be allowable for tax purposes. As you enter the expense you must also enter any part of the expense which is 'disallowable'. Sometimes an expense may be totally disallowable such as the cost of entertaining customers or depreciation of fixed assets (although the latter may be allowable as capital allowances). Sometimes only a portion of an expense may be disallowable, for example if you use your car for business and private use, part of the total expense (the part which relates to your private use) will be disallowable for tax purposes. For these type of expenses you should enter the full amount paid out in the Total expenses column and the part of the expense which you cannot claim against tax in the Disallowable expenses column.

Total expenses

You should enter your total expenses for each category in this column. You can include any business expenses incurred during the relevant accounting period, according to the date they were invoiced to you (unless the Revenue has agreed that you should be taxed on a cash basis). If any part of the expense does not attract tax relief enter that part under the Disallowable expenses column - but make sure you put the total amount of the expense here.

Construction industry subcontractor costs

Enter all payments to subcontractors in the construction industry. If any tax has been deducted on payments made to uncertified subcontractors, show the amount paid before deduction of tax. Any payments you made which related to non-business work should go in the 'Disallowable expenses' column.

Other direct costs

These are expenses deducted to arrive at your gross profit which may not come under one of the other specific headings. For example, direct labour costs, carriage, machine hire, small tools and consumables, discounts allowed to customers, omissions you have paid, etc.

Depreciation of fixed assets would be entered here but note, this is not an allowable expense for tax purposes so you will also have to enter any amount for this kind of depreciation under 'Disallowable expenses'.

Additional information

There may be additional information you need to give to the Revenue, or you may need to explain any of your figures in more detail. For example,

> particulars of any significant or unusual items (either income or expenditure) included in your figures, **or**
>
> details of receipts or expenditure connected with your business which for any reason are not included in your figures, **or**
>
> an explanation of any tax adjustment to your net profit when the reason is not apparent from these figures, **or**
>
> an explanation of any items which are not included in the standard accounts information but which affect your taxable profits (such as spreading of literary profits).

You can use the 'Additional information' box in the **Business details** screen, to enter any information of this type.

Use this screen as a record of the allowable losses made in this year and in previous years. The information on this screen will be transferred to the capital gains tax supplementary pages and will act as notification to the Revenue of losses you have made, those you wish to offset against income or gains, and those you wish to carry forward.

In order to make sensible choices over what to do with your losses - for example, if you have made trading losses and want to know how much of them to claim against your gains for 1997-98 - you need to know your capital gains tax position for 1997-98 *before* taking losses into account. If you don't already know this, run TaxCalc, leaving this screen blank, save your file, and go to the capital gains tax supplementary pages on the 'Forms' menu. This will show your total chargeable gains or total allowable losses for the year. Once you have decided how best to use any losses, return to the **Capital gains/losses** screen. Enter all amounts as positive figures.

How are losses allowed?

Total allowable losses for 1997-98 are deducted from the total chargeable gains for the year. If the allowable losses are greater than the chargeable gains, this loss is carried forward to be set against gains you make in future years.

When you set losses brought forward against chargeable gains of a later year, you use only enough losses to reduce the gains you have made to the level of the 'tax-free' exemption (£6,500 for 1997-98). Losses for later years are used up before those for earlier years. When working out your tax, TaxCalc takes just enough losses from previous years to reduce your chargeable gains to zero after deducting the tax-free exemption.

If you do have allowable losses for 1997-98 you must use these first against the gains you have made in 1997-98, before carrying any forward for next year.

Time limit for claiming losses

Any losses made in 1996-97 or later years have to be claimed. These losses are not allowable losses until you have given notice of the amount of the loss to your Tax Inspector. The new tax return (and consequently TaxCalc) gives you the ability to send a summary of your allowable losses to the Revenue.

Allowable losses for 1996-97 and later years must be claimed within five years and ten months of the end of the tax year in which they were made. This applies where the losses are actually used during that time period or not - under current rules, as long as the Revenue are notified of the losses by the time limit, they can be carried forward indefinitely. The latest date for claiming losses made in the 1997-98 tax year is therefore 31 January 2004.

Unused losses of earlier years

Enter here any allowable losses you have made in previous tax years, as yet unused.

This year's losses used against gains

Enter here the amount of losses made during 1997-98 you wish to use against chargeable gains.

This year's losses used against earlier year's gains

This only applies to personal representatives who are completing a tax return for someone who has died. Any losses made by the deceased between 6 April 1997 and the date of death can be carried back to be set against gains of the three preceding years. Further information is available in IR Help Sheet IR282 *Death, personal representatives and legatees*.

This year's losses used against this year's income/last year's income

If you have losses from the disposal of certain unlisted shares, you may be able to claim to set those losses against your income for either the current or the previous year, rather than your gains. You might prefer to do this if you have a high income tax liability but no capital gains tax liability. Enter here the amount of such losses (if any) made during 1997-98 which you wish to use against income.

Trading losses, etc

Enter here any losses you received from trading; losses you incurred from furnished holiday lettings; losses you incurred after ceasing in business (if you have not claimed these against income tax), or losses you incurred after leaving an employment. But only enter these amounts if you want them to be offset against any capital gains made during the 1997-98 tax year. You can only offset them against gains if you have no taxable income against which to set them - see Losses for more information on how you can use losses from self-employment. TaxCalc will deduct any figure entered here from your total chargeable gains for this year.

Enter in this section a brief description of each asset disposed of in the 1997-98 tax year, or treated as if taxed in this tax year. Note that you may make a 'disposal' when you sell, give away, exchange or receive a capital sum from your ownership of an asset.

Which disposals should you enter?

You need to give details of disposals only if:

- the total value of any assets which you disposed of came to more than £13,000 (even if you did not actually make a chargeable gain). You can ignore altogether any gains which were tax-free and
- you made chargeable gains of more than £6,500

If neither of these apply, click on the box at the top of this section - you do not need to give any other details. But do keep records of any loss you made since losses not used to reduce your gains in one year can be carried forward to reduce your tax bill in future years. You will need to advise the Revenue of any losses using the **Capital losses** screen - if you fail to do this, you will not be allowed to use them to reduce your gains in future.

If you have capital gains arising from assets overseas, you should still enter them in this section of TaxCalc. However, if you had to pay foreign tax on the gain, and want to claim tax credit relief for this, you should enter the amount of relief in the **Entered elsewhere** screen in the Foreign section of TaxCalc.

If you have disposed of your only/main residence

Gains made when you part with your only or main residence are usually tax-free. However, there may be some tax to pay if your garden and grounds exceed half a hectare, you have not used the property as your main residence for the whole time you owned it, you let part or all of it out, or if you use part exclusively for business. If you parted with your main home in 1997-98 and it counts as a tax-free gain, click here: if part or all of the gain is taxable, give details in this screen and the **Gains/losses** screen. Also see Inland Revenue Help Sheet IR283 *Private Residence Relief.*

Additional liability in respect of offshore trusts

You may have to pay tax because you have received, or you are treated as having received, capital or a benefit from any non-resident or dual resident settlement. If so ask for Inland Revenue Help Sheet IR301 *Capital gains on benefits from non-resident and dual resident trusts.* This will tell you how to work out the amount of tax which you will have to enter here.

> **Note**
> If this applies to you, you must enter the name and the tax reference, if you know it, of the Trust in additional information. Go to the 'Further information' box on the screen headed **Gains/losses**. If you are unsure as to whether this applies to you, ask your tax office for guidance.

Assets disposed of in March/April 1998
In order to work out the indexation allowance on your gain, TaxCalc needs the Retail Prices Index (RPI) figure for the month in which you disposed of the asset concerned. Because this edition of TaxCalc was issued before the RPI for March and April 1998 was known, you will need to enter the appropriate figure here if you made a disposal in either of these months (unless you are working out the taxable gain yourself). RPI figures are available from any tax office, on-line at www.ons.gov.uk, or you can get the most recent figure by phoning 0171-533 5866. Note that it is the RPI itself you should enter (for all items, which in February 1998 was 160.3) *not* the indexation factor which the Revenue calculates.

Asset
Enter a description of the asset. For example, if you have disposed of land or buildings, give the address and a description of the property: if you have disposed of shares, give the name of the company, and the number and type of shares of which you have disposed.

Assets owned on 31 March 1982
For these assets, you normally use the market value on 31 March 1982 as the initial value. If you do this, you cannot deduct allowable expenses incurred before that date. However, you can use the market value of the asset when you got it as the initial value and deduct expenses, including those incurred before 31 March 1982, if this would result in a lower gain (eg if the asset dropped in value between the date you acquired it and March 1982). Whichever method is used, indexation allowance runs from March 1982 only. And note that you cannot use the market value when you got the asset if you have already elected to have all your assets treated as if you had acquired them on 31 March 1982. Tick the relevant box in this screen if the asset you are describing was owned on 31 March 1982.

Assets are unquoted shares
Tick this box if:

- the assets described were unquoted or unlisted shares (where the price is not quoted on the Stock Exchange Daily Official List) at some point during the time you owned them. **or**
- you obtained the shares on a share exchange or other company reorganisation, and the shares were not quoted on the Stock Exchange during the whole period of your ownership. In some cases, the new shares may simply count as an extension of ownership of the old ones: see Inland Revenue Help Sheet IR285: *Share reorganisations, company take-overs and Capital Gains Tax*.

If either case applies, you will need to agree a price for unquoted shares with the Inland Revenue.

Any reliefs being claimed

Tick this box if the asset you have described is affected by any of the capital gains tax reliefs such as roll-over relief, retirement relief, or reinvestment relief. Full details of all common reliefs against capital gains tax can be found in the *Notes on capital gains tax* which should accompany the capital gains tax supplementary page of your tax return. Describe the relief you are claiming under 'Further information' on the **Gains/losses** screen.

> **Warning** In the Spring 1998 Budget, the Chancellor announced sweeping changes to capital gains tax, including the abolition of indexation allowance for periods after April 1998, and the removal or phasing out of many reliefs. If you have substantial capital gains, you should consider taking professional tax advice.

Any figures estimated

Tick this box if you have used an estimated figure in calculating the gain or loss. For example, you will need to use estimates if you have disposed of an asset

- acquired from or disposed to a connected person (for example, someone in your family)
- that was owned by you at 31 March 1982, and you have opted to use the value of the asset on that date as the basis of your calculation.

> **Note**
> Give information as to why you have used estimated figures under additional information. Use the 'Further information' box on the **Gains/losses** screen.

For more help, see Inland Revenue *Notes on Capital Gains Tax* provided with your Capital Gains Tax Supplementary Pages.

Additional information

Other instances where you may need to enter additional information are:

- If any taxable value has been transferred (ie to your spouse)
- if you have made a part disposal
- if you have exchanged shares or securities in a company reconstruction or takeover.

Use the 'Further information' box on the **Gains/losses** screen.

If you need to complete this section, enter the details requested for all chargeable gains or allowable losses made during 1997-98. It the gain or loss arises from a non-UK asset you should still include it here, but if you want to claim tax credit relief for any foreign capital gains tax you have paid be sure also to complete the **Entered elsewhere** screen in the Foreign section of TaxCalc.

Your net chargeable gains are taxed (broadly) as if they were the top slice of your income. You cannot set off personal allowances against them, but the first £6,500 of net chargeable gains in 1997-98 are tax-free - we call this the 'tax-free slice'. TaxCalc will deduct £6,500 and work out the tax owed on the rest.

TaxCalc can work out the indexed gain/loss for you on straightforward disposals. If you want TaxCalc to do the calculation, leave the 'Indexed gain/loss' box empty and fill in the details for each asset disposed of. If you already know the indexed gain or loss, enter the amount here (show an allowable loss as a minus figure): any figure entered here will override TaxCalc's own calculations. For more information see Calculating the indexed gain/loss.

However, TaxCalc cannot work out the complex calculations needed if you have disposed of shares or unit trusts in the same company which you have acquired at different times (if, for example, your holding was increased by scrip dividends). In this case, the shares are usually 'pooled'. For further information see Inland Revenue leaflet CGT16, Help Sheet IR284, *Shares and Capital Gains Tax* or check with your financial adviser. You will need to enter the indexed gain/loss in the relevant box.

Date of acquisition/date of disposal

You only need to complete these boxes if you want TaxCalc to work out the indexed gain/loss for you.

Initial value

You only need to complete this box if you want TaxCalc to work out the indexed gain/loss for you. Enter the price paid for the asset, or its market value when you were given or inherited it. You may need to agree this with your tax office if there is no easily accessible valuation -

eg because you are selling unquoted shares. If so, be sure to click the box at the bottom of the **Disposals** screen to tell the Revenue that the value is estimated, and explain why using the 'Further information' button on this screen.

Note that if you acquired the asset before 31 March 1982, you have a choice of value: see Assets owned on 31 March 1982.

Disposal proceeds

You need to complete this box whether or not you want TaxCalc to work out the indexed gain/loss for you. Enter the sale price when you sold the asset, or its market value if you gave it away. If you sell an asset for less than it is worth, the final value is usually the market value.

Allowable expenses

You only need to complete these boxes if you want TaxCalc to work out the indexed gain/loss for you. You can claim the cost of acquiring, improving or disposing of an asset (eg legal fees, commission, stamp duty, advertising, and the legal costs of defending your title to an asset), but not the costs of maintaining it. If you incurred more than one expense in the same month (e.g. commission and legal fees when selling a second home) you can add the costs together and enter them as one expense. But expenses incurred in different months need to be entered separately. This is because indexation allowance is worked out on a monthly basis.

Indexed gain/loss

Complete this box if you already know the indexed gain from a disposal (leave it blank if you want TaxCalc to do the calculation for you). If you enter anything in this box you do not need to enter the initial value or the dates, but you do need to enter the disposal proceeds in the box above so that this can be shown in the correct place on the Inland Revenue's supplementary sheet.

Houses, shares and businesses

Some assets get special treatment:

owner-occupied property - gains on your only or main home are usually tax-free, but may not be if you do not live there all the time you own it or if you let part or all of it. See Inland Revenue Help Sheet IR283 *Private Residence Relief*

business assets - you may be able to defer the tax, or get tax relief if you are disposing of a business on retirement. See Inland Revenue Help Sheet IR 289 *Retirement relief and Capital Gains Tax* (available in the Help Sheets section of TaxCalc's help file)

shares - if you bought shares of the same type in the same company at different times, and dispose of only part of them, there are special rules for deciding which ones you have sold. See Inland Revenue Help Sheet IR284, *Shares and Capital Gains Tax* and IR285, *Share reorganisations, company takeovers and Capital Gains Tax*.

Warning In the Spring 1998 Budget, the Chancellor announced sweeping changes to capital gains tax, including the abolition of indexation allowance for periods after April 1998, and the removal or phasing out of many reliefs. If you have substantial capital gains, you should consider taking professional tax advice.

Building society mergers, conversions and takeovers

If you have

- received cash as a result of a merger of two or more societies, or
- received cash, or been issued with shares, or received both cash and shares, as a result of either
  - a conversion of a building society to a company or
  - a takeover of a building society by a company

there may be a liability to either income tax or capital gains tax.

The building society concerned should be able to tell you whether there is any tax liability, but if not, contact your tax office or tax adviser for guidance.

Offshore trusts

If you received capital from any non resident trust or dual resident settlement and you have entered this amount in the appropriate box in the CGT section of TaxCalc, enter the name (and reference if known) of the trust in the 'Further information' box on this screen.

If you are married

Husband and wife are taxed separately for CGT and each get their own tax-free slice. However, on gifts between husband and wife there is no tax to pay at the time of the gift. When the recipient finally disposes of the asset, the tax is worked out over the whole period during which both partners owned it. In this case, remember to use the date the first partner acquired the asset as the date of acquisition, and its value at that date as the initial value.

Further information

Use this button to enter any additional information concerning your capital gains liability for 1997-98, for example:

- whether any figures have been estimated, and if so, why
- whether you are claiming any reliefs for this gain, such as reinvestment relief
- if this gain arises from a partial disposal of an asset
- whether you have exchanged shares in a company takeover or reconstruction
- whether you have transferred a gain.

[Capital allowances](#)
[Balancing charges](#)

When you buy 'capital assets' - ie items not for resale and of lasting use to the business, such as computers or cars - you do not simply deduct their cost from profits at the time you buy them. Instead, for tax purposes, you claim ‘capital allowances’. Capital allowances are worked out by adding the cost of each capital asset to a 'pool of expenditure'. You can then deduct a set percentage of the value of the pool at the end of each year from your tax assessment as a 'writing-down allowance'. Normally, the writing-down allowance is 25 per cent of the value of the pool, but for small and medium-sized businesses buying machinery or plant in the 12 months to 1 July 1998, a special allowance of 50 per cent applies in the first year. For the following year - running from 1 July 1998 to 30 June 1999 - a 40 per cent first year allowance applies.

You are within the ‘small and medium-sized’ category if :

your business has a turnover of not more than £11.2 million
your business assets are not more than £5.6 million and
your business does not employ more than 250 employees.

When you sell or give away something on which you were receiving capital allowances, or begin to use it for non-business purposes, there may be a balancing adjustment, known as a 'balancing charge'.

Note
Working out the detailed rules for capital allowances can be tricky: If you have not got an accountant you should consult a good tax book. If you want TaxCalc to get as close as possible to your tax liability, you will need to enter your best estimate here. See also Inland Revenue Help Sheet IR222, *How to calculate your taxable profits*.

Capital allowances

Enter your writing-down allowance here. Note that separate pools of expenditure must be kept for cars (but not lorries or vans) and for assets used for private and business purposes (you get the proportion of the writing-down allowance equal to the business use). Cars which cost £12,000 or more must be recorded in individual pools and there's a £3,000 maximum yearly allowance.

You can elect for many capital items with an expected life of less than five years - for example, computers - to be treated as 'short-life assets'. Each one is put into its own pool of expenditure, and provided it stops being used in the business within five years, you get immediate tax relief for any loss on disposal.

Tip
You do not have to claim the full capital allowances to which you are entitled, eg if they would reduce your taxable profits to below the level of your personal allowances. It will pay you not to claim more than you need to reduce your tax bill to

zero, and instead to roll on the balance to succeeding years.

Balancing charges

If you sell a capital asset, the sale proceeds (or original cost, if less) are deducted from the pool before the writing-down allowance is worked out. If the proceeds of all the items you sell come to more than the value of the pool, the excess (called a balancing charge) is added to your profits for the year, and taxed.

If you sell an item for less than its written-down value, you cannot normally claim tax relief on the loss until the business ceases and all the assets in the capital pool are sold. You then claim relief in the form of a balancing allowance on any loss on all the assets in the pool. You can claim relief earlier than this, if you have elected to have the item treated as a short-life asset and you dispose of the asset within five years of its acquisition.

If a balancing charge occurred on any of your 'pools', enter the amount in the relevant box. This will be added to your net profit.

TaxCalc bases its calculations on the 'tax calculation working sheets' used by the Inland Revenue. The basic working sheet is sent out with the tax return, but there are alternative versions for people in various circumstances. TaxCalc uses the right one for you, depending on what you enter, and for ease of comparison the reports it gives you are laid out like the Inland Revenue working sheets, using the same box reference system but omitting some of the shading and detail for ease of printing. (If a box is omitted from the numbering, this is because it refers to something not handled by TaxCalc, for example, foreign income received by partnerships).

We recommend that you have a copy of the appropriate Inland Revenue working sheet to hand for reference (copies are available from the Inland Revenue Orderline, Tel: 0645 000 404, e-mail: saorderline.ir@gtnet.gov.uk). The notes accompanying the working sheets also give useful explanations of how the tax is worked out.

Which detailed summary?

Use the standard detailed summary only if none of the following apply. Otherwise, use:

- the 'lump sums' summary if you have taxable life insurance gains, refunded AVCs, or taxable redundancy or compensation on leaving a job. Also use this summary if you have received income (which has had basic-rate notional tax deducted) from the estate of someone who has died, e.g. taxable life insurance proceeds
- the 'capital gains' summary if you have taxable capital gains
- the 'lump sums' and 'capital gains' summary if you have both 'lump sums' (as defined above) *and* taxable capital gains.

Introduction

Working out your tax is particularly complex if, in 1997-98, you received:

- a taxable lump sum on leaving a job, or
- a refund of surplus contributions to an AVC scheme, or
- a taxable gain on a life insurance policy which has a basic-rate notional tax credit (virtually all do). You will often see these referred to as 'chargeable event gains' in tax-speak (as opposed to 'chargeable gains' which the Revenue uses to mean capital gains).

These one-off lump sums can push the rest of your income into a higher tax band. A further complication is that you pay tax on insurance gains at a minimum of 23 per cent, even if you are a non-taxpayer or lower-rate taxpayer.

Capital gains are normally taxed as the top slice of your income, but special rules prevent you being disadvantaged in certain cases. So, if you also have capital gains, it becomes even more difficult to decide how best to set off your various types of income and gain against your allowances and tax bands.

In order to make best use of your allowances and tax bands, an order of priority for the various types of income and gains has to be worked out. For this reason, your income tax and capital gains tax are calculated as part of the same process.

Boxes F27, F29, F32, F35 and F40 are all sub-totals of the various kinds of income - broad headings of the types of income are shown in the left-hand margin, but see the Inland Revenue working sheet for details.

Page 1

Total income

This first page covers all the taxable income you have entered (minus any allowable expenses from employment or self-employment). Tax-free income is ignored. Note that the figure for employment includes the taxable value of any taxable fringe benefits or expenses from your employer, such as a company car. If you want to see how TaxCalc has worked out the tax on your company car, see the Company car breakdown on the 'Tax' menu, and for a list of the taxable investments you have entered, see the Savings breakdown on the same menu. For most other types of income, you can see the underlying calculations by going to the appropriate supplementary sheet on the 'Forms' menu.

Deductions

Here you will see only the outgoings on which you get full tax relief. You will not see outgoings on which you get only restricted tax relief, such as mortgage interest, or most types of maintenance - these appear on page 6 under 'Allowances & reliefs given in terms of tax'. However, you will see an entry at 'Maintenance' if you pay maintenance of more than £1,830 under the old rules - in this case, you will still get full tax relief on the excess above £1,830, and this is what you will see here.

Your total income less deductions is the basis for all the calculations which follow.

Page 2

This page carries out some of the preliminary calculations needed in order to work out your tax.

Pension/training payments made net

If you're an employee and pay net contributions to a personal pension or free-standing AVC scheme, or vocational training fees, you normally deduct basic-rate tax before making the payment. Yet the before-tax (gross) amount has already been deducted from your total income on page one. So, to stop you getting two lots of tax relief, any relevant payments are sub-totalled here and added back in to the lower- and basic-rate calculations at box F24.

Allowances given as a deduction from your income

Shown here are those allowances on which you get tax relief at your top rate of tax. They are valuable because they also reduce your taxable income for the purposes of deciding what top rate of tax you pay. This section sub-totals the allowances to which you are entitled: they are deducted from your income at box F26.

If you have told TaxCalc that your spouse has blind person's allowance which they cannot use, and which they wish to transfer to you, this will also be shown here.

Transitional allowance will only apply if you are a married woman and your husband's low income meant that you lost out when independent taxation for married couples was introduced in the 1990-91 tax year.

Income for the purposes of basic-rate tax

This section calculates the amount of income you have above the lower-rate limit (£4,100). It excludes savings income (on which no basic-rate tax is due) and taxable life insurance gains (which are treated separately at F45). If part of your income falls within the lower-rate band, and part in the basic-rate band, it makes a further calculation to work out the order in which the various types of income should be pushed into the basic-rate band. See the notes to the Inland Revenue tax calculation guide for more information.

Basic-rate capital gains tax calculation

This section calculates the amount of capital gains you have above the lower-rate limit (£4,100). If all your gains fall above this limit (because your lower-rate band has already been used by income), then the tax due is shown in box F49B; if part of your gains fall below the £4,100 limit, then these are deducted from the amount taxable at the basic rate, and the tax is shown at box F49F. In either case, the tax is carried over to box F49G on page 3.

Page 3

This page shows how your savings income, non-savings income and capital gains are set off against your tax allowances and tax bands in the way that should make best use of them.

Page 4

This page works out your higher rate income tax and capital gains tax, your total income tax and capital gains tax, and then gives you some tax reliefs you may be eligible for (further reliefs are given on page 6).

Higher-rate capital gains tax

F53B shows your taxable gains minus your unused lower-rate band (F49D) and your unused basic-rate band (F53A). The result is the amount of your gains liable to higher-rate tax. However, the calculation is complicated considerably if you have taxable life insurance gains ('chargeable event gains'). This is because these use up your basic-rate band in priority to any taxable capital gains ('chargeable gains'). In this case, TaxCalc will follow the Inland Revenue calculations and make an adjustment in the preliminary calculation for F53A and F53D.

Boxes F53C and box F53D are 'either/or' calculations. Box F53D applies if you have taxable life insurance gains subject to notional tax (box F27): box F53C applies if you do not. If you do have such gains, a preliminary calculation adjusts the amount of capital gains, in box C, which are liable to higher rate tax.

Extra tax on savings income

If you are a higher-rate taxpayer, you should pay 40 per cent tax on this income. However, because it is excluded from the basic-rate tax calculation, so far only 20+17=37 per cent tax has been charged on it. This section takes your savings income (or the amount of income within the higher-rate band, if less) and charges an extra 3 per cent on it.

Capital gains tax due

This adds together all the capital gains tax that has been calculated so far, at F44A, F49G and F53C/F53D. It also adds in any extra capital tax you are due to pay in respect of offshore trusts (F60A), and deducts any tax credit relief for overseas tax paid on foreign capital gains (F60B - this is entered in the **Entered elsewhere** screen in the Foreign section of TaxCalc).

Top-slicing relief

This is a special tax relief you may get if taxable insurance gains are pushing you into the higher-rate tax bracket. Broadly speaking, the relief works by spreading your gain over the years that the policy has run. The average gain each year is worked out by dividing the taxable amount by the number of complete years the policy has run. Higher-rate tax on the average gain is calculated, and then multiplied by the number of complete years. This higher-rate tax figure is then compared with the higher-rate tax due on the full gain before averaging, and the difference (broadly speaking) is your top-slicing relief, deducted from your tax bill. The Inland Revenue working sheet gives more information on how the relief is calculated.

VCT & EIS subscriptions

This shows the 20 per cent tax relief you are entitled to on any qualifying contributions to venture capital trusts or Enterprise Investment Schemes. The tax relief is deducted from the amount of income tax due, so you do not benefit fully unless your tax so far is at least as high as the relief due.

Page 5

This page takes into account various further tax reliefs and allowances. It also adds in any Class 4 National Insurance contributions you might have to pay on profits from a business. It then deducts any tax already paid in order to find out how much you actually owe the Revenue.

Allowances and reliefs given in terms of tax

These are allowances and outgoings on which you get restricted tax relief at 15 per cent. Instead of deducting the full value of the allowance or payment from your total income, as with other allowances, the tax relief is deducted from the income tax due here. This means that you do not benefit fully unless your tax so far is at least as high as the relief due.

Married couple's allowance can be transferred from your spouse if he or she cannot make full use of it. The amount will be shown here, if you entered it in the allowances section (your spouse should run TaxSaver in his or her TaxCalc file to see if there is surplus to be transferred).

Notional tax
This covers those types of dividends and unit trusts which come with 'notional tax' deducted, and also life insurance proceeds which are treated as having had 23 per cent tax deducted. Notional tax counts as tax paid but cannot be reclaimed, even by non-taxpayers, so the amount is deducted from the income tax due here. This means that you do not benefit fully unless your tax bill is at least as high as the relief due.

Tax credit relief
There are two types of tax credit relief which may appear here. These are tax credit relief on foreign income and, if you received taxable share incentives, tax credit relief for any tax deducted by your employer under the PAYE system.

Recoverable tax on charitable covenants etc
If you give to charity through one of these methods, you have already given yourself basic-rate tax relief by deducting 23 per cent from your payments. Adding it back here means that you do not get two lots of tax relief (and it also claws back the tax relief from non-taxpayers).

Tax paid at source
This sub-totals all the tax you have entered as having been deducted at source, eg as PAYE from your job, or through tax deducted from savings income before it was paid out (but not payments on account, which are dealt with at F82). The total is deducted from your tax for the year.

Unpaid tax for earlier years
Your PAYE code for 1997-98 may have been used to collect tax still owing from a previous tax year. If so, the amount relating to previous years does not reduce the amount of tax you owe for 1997-98, and has to be added back in here.

Tax due for 1997-98 included in 1998-99 PAYE code
Your tax office may already have decided that some of the tax you owe can be collected through PAYE in 1998-99 (you can find this figure from the PAYE Coding Notice, usually received in about January each year). In this case, TaxCalc deducts from your tax bill the figure shown here.

Page 6
This page makes adjustments for things such as tax refunds already received, or tax outstanding from earlier years. For this reason, it is important that you enter all these figures in the 'Other information' section of TaxCalc.

Payments already made
Any payments on account you have already made (eg in January 1998) will be shown here and deducted from the amount due.

Payments on account
Under the system of self-assessment, you may have to pay your tax in instalments if you are self-employed, have income from property, or receive any other income which is not taxed

before you get it. These 'payments on account', as they are called, are equal to half of your income tax and class 4 National Insurance contributions liability for the previous tax year (capital gains tax is payable in one go on 31 January after the end of the tax year in question).

However, you do not have to make payments on account for 1998-99 if your tax outstanding from 1997-98 is below £500 or if most (80%) of your tax is collected at source. TaxCalc takes this into account. You may also be able to claim a reduction in your payments of account in some circumstances, eg you expect your income to fall - see the notes to the Inland Revenue's Tax Calculation Guide.

Tax of under £1,000 to be collected by PAYE

If you pay tax through PAYE, and have tax of less £1,000 outstanding from 1997-98, the Inland Revenue will collect it through your PAYE code (so that the tax is deducted bit by bit from your weekly or monthly pay). However, if you prefer, you can opt to pay amounts under £1,000 separately, rather than through your tax code, by clicking on the appropriate box on the **Other tax matters** screen in the Other information section of TaxCalc. If you do this, and the tax due is more than £500, you may still have to make payments on account for 1998-99.

Page 7

Amount due on 31/1/99

The 31 January tax payment each year 'sweeps' up all the tax outstanding for the previous tax year. But it is also the date for your first payment on account (if you make them) for the current tax year. So the figure TaxCalc will show you as being due to pay on 31 January 1999, may comprise:

- any tax outstanding from 1997-98 (unless this is less than £1,000 and being collected through PAYE)
- your first payment on account for 1998-99
- *less* any tax repayments you are due because you are carrying pension contributions made after 5 April 1998 back to the 1997-98 tax year, or because you have claimed to carry back trading losses.

TaxCalc bases its calculations on the 'tax calculation working sheets' used by the Inland Revenue. The basic working sheet is sent out with the tax return, but there are alternative versions for people in various circumstances. TaxCalc uses the right one for you, depending on what you enter, and for ease of comparison the reports it gives you are laid out like the Inland Revenue working sheets, using the same box reference system but omitting some of the shading and detail for ease of printing. (If a box is omitted from the numbering, this is because it refers to something not handled by TaxCalc, for example, foreign income received by partnerships.)

We recommend that you have a copy of the appropriate Inland Revenue working sheet to hand for reference (copies are available from the Inland Revenue Orderline, Tel: 0645 000 404, e-mail: saorderline.ir@gtnet.gov.uk). The notes accompanying the working sheets also give useful explanations of how the tax is worked out.

Which detailed summary?

Use the standard detailed summary only if none of the following apply. Otherwise, use:

- the 'lump sums' summary if you have taxable life insurance gains, refunded AVCs, or taxable redundancy or compensation on leaving a job. Also use this summary if you have received income (which has had basic-rate notional tax deducted) from the estate of someone who has died, e.g. taxable life insurance proceeds
- the 'capital gains' summary if you have taxable capital gains
- the 'lump sums' and 'capital gains' summary if you have both 'lump sums' (as defined above) *and* taxable capital gains.

Introduction

If you made taxable capital gains in 1997-98, these are taxed as if they were your top slice of income. This is usually straightforward, but can work against you if you have lots of savings income, but little other income. In this case, the general rule would mean that your savings income (which, unless you are a higher-rate taxpayer, is only taxed at 20 per cent anyway) could push your capital gains into a higher-rate tax band than necessary. So, there are special rules that mean that if your non-savings income is less than the £4,100 lower-rate limit, your lower-rate band is set against your capital gains before it is used up against your savings income.

To make the calculations easier, the Inland Revenue (and TaxCalc) work out your capital gains tax side by side with your income tax, as you will see on page 3 of the TaxCalc working sheet.

Page 1

Total income

This first page covers all the taxable income you have entered (minus any allowable expenses from employment or self-employment). Tax-free income is ignored. Note that the figure for employment includes the taxable value of any taxable fringe benefits or expenses from your employer, such as a company car. If you want to see how TaxCalc has worked out the tax on your company car, see the Company car breakdown on the 'Tax' menu, and for a list of the taxable investments you have entered, see the Savings breakdown on the same menu. For most other types of income, you can see the underlying calculations by going to the appropriate supplementary sheet on the 'Forms' menu.

Deductions

Here you will see only the outgoings on which you get full tax relief. You will not see outgoings on which you get only restricted tax relief, such as mortgage interest, or most types of maintenance - these appear on page 4 under 'Allowances & reliefs given in terms of tax'. However, you will see an entry at 'Maintenance' if you pay maintenance of more than £1,830 under the old rules - in this case, you will still get full tax relief on the excess above £1,830, and this is what you will see here.

Your total income less deductions is the basis for all the calculations which follow.

Page 2

This page carries out some of the preliminary calculations needed in order to work out your tax.

Pension/training payments made net

If you're an employee and pay net contributions to a personal pension or free-standing AVC scheme, or vocational training fees, you normally deduct basic-rate tax before making the payment. Yet the before-tax (gross) amount has already been deducted from your total income on page one. So, to stop you getting two lots of tax relief, any relevant payments are sub-totalled here and added back in to the lower- and basic-rate calculations at box G24.

Allowances given as a deduction from your income

Shown here are those allowances on which you get tax relief at your top rate of tax. They are valuable because they also reduce your taxable income for the purposes of deciding what top rate of tax you pay. This section sub-totals the allowances to which you are entitled: they are deducted from your income at box G26.

If you have told TaxCalc that your spouse has blind person's allowance which they cannot use, and which they wish to transfer to you, this will also be shown here.

Transitional allowance will only apply if you are a married woman and your husband's low income meant that you lost out when independent taxation for married couples was introduced in the 1990-91 tax year.

Savings income taxed at the lower (20%) rate

Since 6 April 1996, most income from savings and investments has been taxed at only 20 per cent for both lower-rate and basic-rate taxpayers. Higher-rate taxpayers pay the full 40 per cent tax on it. The amount of such income is sub-totalled here. It is then deducted from the basic-rate calculation at G32 (because 20 per cent tax has already been charged on it in the lower-rate calculation). For higher-rate taxpayers, the income is added back in and, in addition to the normal 17 per cent higher-rate tax, an extra 3 per cent is charged to bring the total of tax on it to 20+17+3=40 per cent.

Adjustment to basic-rate band for CGT purposes

This calculation gives you the amount of your capital gains which was set against your lower-rate band. It reduces the amount of capital gains taxable at the basic rate at G39. Because you have used this portion of the band against your capital gains it cannot be used against your income and this is why, on page 3, it is deducted from the £26,100 basic-rate limit at box G43.

Page 3

This page is the core tax calculation. It shows how your savings income, non-savings income and capital gains are set off against your tax allowances and tax bands in the way that should make best use of them. The far right-hand column gives the amount of capital gains tax at each tax rate, and the adjoining column gives the income tax at each rate. However, you can deduct various kinds of tax relief from this income tax figure - covered on Page 5.

Basic-rate tax

The capital gains tax calculation here is particularly confusing because G36 and G40 are alternative figures for basic-rate capital gains tax. G36 applies if all your lower-rate band has been used up against income. If some of your gains fall within the lower-rate band G40 applies.

Extra tax on savings income

If you are a higher-rate taxpayer, you should pay 40 per cent tax on this income. However, because it is excluded from the basic-rate tax calculation, so far only 20+17=37 per cent tax has been charged on it. This section takes your savings income (or the amount of income within the higher-rate band, if less) and charges an extra 3 per cent on it.

Higher-rate capital gains tax

G51 shows your taxable gains minus your unused lower-rate band (G38) and your unused basic-rate band (G50). The result is the amount of your gains liable to higher-rate tax.

Page 4

This page carries out some preliminary calculations for page 5.

Allowances and reliefs given in terms of tax

These are allowances and outgoings on which you get restricted tax relief at 15 per cent. Instead of deducting the full value of the allowance or payment from your total income, as with other allowances, the tax relief is deducted from the income tax due at G60. This means that you do not benefit fully unless your tax so far is at least as high as the relief due.

Married couple's allowance can be transferred from your spouse if he or she cannot make full use of it. The amount will be shown here, if you entered it in the allowances section (your spouse should run TaxSaver in his or her TaxCalc file to see if there is surplus to be transferred).

Notional tax
This covers those types of dividends and unit trusts which come with 'notional tax' deducted. Notional tax counts as tax paid but cannot be reclaimed, even by non-taxpayers, so the amount is sub-totalled here and then deducted from the income tax due at G61 on page 5. This means that you do not benefit fully unless your tax bill is at least as high as the relief due.

Tax credit relief
There are two types of tax credit relief which may appear here. These are tax credit relief on foreign income and, if you received taxable share incentives, tax credit relief for any tax deducted by your employer under the PAYE system.

Tax paid at source
This sub-totals all the tax you have entered as having been deducted at source, eg as PAYE from your job, or through tax deducted from savings income before it was paid out (but not payments on account, which are dealt with at G78). The total is deducted from your tax for the year.

Page 5
This page takes into account various tax reliefs and allowances. It also calculates any Class 4 National Insurance contributions you might have to pay on profits from a business. It then deducts any tax already paid in order to find out how much you actually owe the Revenue. It also makes adjustments for things such as tax refunds already received, or tax outstanding from earlier years. For this reason, it is important that you enter all these figures in the Other information section of TaxCalc.

VCT & EIS subscriptions
This shows the 20 per cent tax relief you are entitled to on any qualifying contributions to venture capital trusts or Enterprise Investment Schemes. The tax relief is deducted from the amount of income tax due, so you do not benefit fully unless your tax so far is at least as high as the relief due.

Recoverable tax on charitable covenants etc
If you give to charity through one of these methods, you have already given yourself basic-rate tax relief by deducting 23 per cent from your payments. Adding it back here means that you do not get two lots of tax relief (and it also claws back the tax relief from non-taxpayers).

Unpaid tax for earlier years
Your PAYE code for 1997-98 may have been used to collect tax still owing from a previous tax year. If so, the amount relating to previous years does not reduce the amount of tax you owe for 1997-98, and has to be added back in here.

Tax due for 1997-98 included in 1998-99 PAYE code

Your tax office may already have decided that some of the tax you owe can be collected through PAYE in 1998-99 (you can find this figure from the PAYE Coding Notice, usually received in about January each year). In this case, TaxCalc deducts from your tax bill the figure shown here.

Payments already made

Any payments on account you have already made (eg in January 1998) will be shown here and deducted from the amount due.

Payments on account

Under the new system of self-assessment, you may have to pay your tax in instalments if you are self-employed, have income from property, or receive any other income which is not taxed before you get it. These 'payments on account', as they are called, are equal to half of your income tax and class 4 National Insurance contributions liability for the previous tax year (capital gains tax is payable in one go on 31 January after the end of the tax year in question).

However, you do not have to make payments on account for 1998-99 if your tax outstanding from 1997-98 is below £500 or if most (80%) of your tax is collected at source. TaxCalc takes this into account. You may also be able to claim a reduction in your payments of account in some circumstances, eg you expect your income to fall - see the notes to the Inland Revenue's Tax Calculation Guide.

Tax of under £1,000 to be collected by PAYE

If you pay tax through PAYE, and have tax of less £1,000 outstanding from 1997-98, the Inland Revenue will collect it through your PAYE code (so that the tax is deducted bit by bit from your weekly or monthly pay). However, if you prefer, you can opt to pay amounts under £1,000 separately, rather than through your tax code, by clicking on the appropriate box on the **Other tax matters** screen in the Other information section of TaxCalc. If you do this, and the tax due is more than £500, you may still have to make payments on account for 1998-99.

Page 6

Amount due on 31/1/99

The 31 January tax payment each year 'sweeps' up all the tax outstanding for the previous tax year. But it is also the date for your first payment on account (if you make them) for the current tax year. So the figure TaxCalc will show you as being due to pay on 31 January 1999, may comprise:

- any tax outstanding from 1997-98 (unless this is less than £1,000 and being collected through PAYE)
- your first payment on account for 1998-99
- *less* any tax repayments you are due because you are carrying pension contributions made after 5 April 1998 back to the 1997-98 tax year, or because you have claimed to carry back trading losses.

Disposals
Gains/losses
Capital losses
How to work out your chargeable gains/allowable losses
RPI table

Indexation allowance

This is how to work out your indexed gain/loss (or what the Revenue calls your chargeable gain or allowable loss) for each asset you dispose of.

Step 1
Take the disposal proceeds of the asset - the sale price when you sold it, or its market value if it is given away. If you sell an asset for less than it is worth, the final value is usually the market value.

Step 2
Deduct the initial value of the asset - the price paid for it, or its market value at the time when you were given or inherited it (you may need to agree this with your tax office). Click here for details of assets owned on 31 March 1982.

Step 3
Deduct any allowable expenses of acquiring, improving or disposing of an asset (but not just maintaining it). These include advertising, commission, legal fees, stamp duty and the legal costs of defending your title to the asset.

Step 4
Work out your indexation allowance This is an allowance which prevents you from paying tax on gains made purely because of inflation. If you acquired an asset and incurred an expense in the same month, add them together and work out the indexation allowance for them both together. If you have several expenses incurred at different times, you need to work out the indexation allowance for each separately.

Step 5
Deduct indexation allowance. Note that the indexation allowance can only reduce or eliminate a gain - it cannot be used to create or increase a loss. For example, if your final value is £10,000, your initial value is £8,000, and your indexation allowance is £3,000, your gain will be reduced to nil - but you cannot claim a loss of £1,000

The figure you end up with after taking these five steps is your indexed gain. If it is a minus figure (without using your indexation allowance), you have made an allowable loss.

Working out your indexation allowance

The indexation allowance applies to disposals on or after 6 April 1982 and makes allowance for the effect of inflation on capital gains. Note that the allowance is being withdrawn for gains made after April 1998 (for assets disposed of after that date you can still claim it for the period up to and including April 1998).

To work out your allowance, take the initial value or allowable expense and multiply by an indexation factor. Indexation factors are published by the Inland Revenue every month and printed in some newspapers (try the Saturday money pages) but it is easy to work them out yourself. You will need the Retail Prices Index (RPI) for the month of acquiring the asset or incurring the expense (or 31 March 1982 if you incurred the expense earlier) and for the month of disposal - see TaxCalc's RPI table . For disposals after March, RPI figures are available in the *Monthly Digest of Statistics*, on the Office of National Statistics web site, under ONS Releases, at http://www.ons.gov.uk/releases/rpi.htm , or by phoning 0171 533 5866.

Take the RPI for the month of disposal and subtract the RPI for the month you acquired the asset or incurred the expense (or 31 March 1982 if later). Then divide the result by the RPI for the month you acquired the asset or incurred the expense. Round the figure you end up with to three decimal places: this is the indexation factor.

So if, for example, you buy something for £5,000, and the RPI for the month in which you buy it is 105, and the RPI for the month in which you sell it is 120, your indexation allowance for the initial value is worked out like this:

5,000 x (120-105)/105

= 5,000 x 0.143

= £715

Assets owned on 31 March 1982

For these assets, you normally use the market value on 31 March 1982 as the initial value. If you do this, you cannot deduct allowable expenses incurred before that date. However, you can use the market value of the asset when you got it as the initial value and deduct expenses, including those incurred before 31 March 1982, if this would result in a lower gain (eg if the asset dropped in value between the date you acquired it and March 1982). Whichever method is used, indexation allowance runs from March 1982 only. And note that you cannot use the market value when you got the asset if you have already elected to have all your assets treated as if you had acquired them on 31 March 1982. Tick the relevant box in the **Disposals** screen if the asset you are describing was owned on 31 March 1982

> **Warning** In the Spring 1998 Budget, the Chancellor announced sweeping changes to capital gains tax, including the abolition of indexation allowance for periods after April 1998, and the removal or phasing out of many reliefs. If you have substantial capital gains, you should consider taking professional tax advice.

You can claim tax relief for payments you make to:

> **charitable covenants**. These commit you to regular giving and are suitable for both large and small donations. You get basic-rate tax relief by handing over an amount from which basic-rate tax has already been deducted. The charity reclaims this tax. If you are a higher-rate taxpayer, you can claim additional relief through your tax office. The deed of covenant must be capable of lasting for more than three years and the precise wording of the deed is important - charities can provide suitable forms.
>
> **annuities and covenants**, entered into for full value, for genuine commercial reasons in connection with your trade or profession. Check with your tax office if you are unsure whether payments you make of this kind are eligible. If you are a partner in a partnership, any eligible payments will be shown as 'Partnership charges' in your tax statement.

Enter the name of the charity and the amount you actually paid. **Do not include the tax treated as deducted - enter only the amount you actually paid.** TaxCalc will ‘gross up’ the payment during the tax calculation. TaxCalc will also take account of any additional higher-rate tax relief due.

Warning

If you are a non-taxpayer, you may not have enough income to set against the covenant payments but you will have deducted tax relief before handing over the payments. The tax relief is 'clawed back' in the tax calculation, and added to your tax bill - TaxCalc takes this into account.

If you find you have overpaid tax for 1997-98 you have a choice. You can either have any overpayment offset against tax due in future years, or you can have a repayment now.

This screen does two things. It notifies the Revenue that you want your overpayment refunded to you (rather than offset against tax) and it advises the Revenue where the refund should be sent. You can ask for it to be sent to you at your normal address, or direct to your bank or building society or to your accountant or tax adviser.

If you have not been sent a tax return or discover that you owe tax after you have sent in your return you can still apply for a tax rebate, using Form R40. Form R40 is available from any tax office, or you can print a blank copy out from TaxCalc to complete yourself (go to the 'Forms' menu).

Self employed people and people in partnership must pay Class 4 National Insurance contributions on profits from any trade, profession or vocation unless they are exempted. The contributions are paid at a rate of 6 per cent on taxable profits between £7,010 and £24,180 for 1997-98. If your profits are less than the lower limit, no Class 4 contributions are due. TaxCalc will calculate the amount of Class 4 contributions you should be paying. Note, though, that if you are asking the Revenue to calculate the tax, the amount of Class 4 NICs will, as the Revenue instructs, not be shown on the supplementary sheet for the individual business or partnership: you can see TaxCalc's calculation of the amount by referring to the Tax Summary.

Exemptions to Class 4 Contributions

You are exempt from paying Class 4 contributions for 1997-98 if you are:

- over the state pension age, that is a man aged over 65 or a woman aged over 60 at 6 April 1997, or
- aged under 16 at 6 April 1997 if the Contributions Agency has granted you an exemption, or
- not resident in the UK for tax purposes during 1997-98

It is possible for certain other people to be exempted from paying Class 4 contributions, check with your local Contributions Agency for further details.

If you are exempt from Class 4 contributions, tick the relevant box (TaxCalc will automatically tick it for you if you are exempt because you are over the state pension age).

Note
You should give details in additional information as to why you are exempt from Class 4 contributions. Use the 'Additional information' button on the business or partnership **Details** screen.

Deferred contributions

Sometimes, where both Class 2 and Class 4 contributions could be due, Class 4 contributions may not be payable. In these circumstances the Contributions Agency may agree that your Class 4 contributions can be 'deferred' until such time as your overall contributions can be agreed. Only the Contributions Agency can agree to deferment and the Contributions Agency leaflet NP18 gives further details.

If your contributions for this business have been deferred tick the relevant box.

Note
You should give details under additional information as to why your contributions have been deferred (TaxCalc will do this for you if you are exempt because you are

over state pension age). Use the 'Additional information' button on the business or partnership **Details** screen.

Adjustments to profit chargeable for Class 4 contributions

You may be able to deduct an amount here to account for any interest or trading losses of this business or partnership which you have not yet already entered as a deduction from your profits. If so you should enter the figure here. TaxCalc will reduce your profit by this amount when working out how much Class 4 NICs you are due to pay. See the Inland Revenue notes which accompanied the self-employment or partnership supplementary pages for more information on this adjustment, or speak to your tax office who will be able to tell you whether this adjustment applies to you.

Introduction

Company cars are taxable if you earn at a rate of at least £8,500. The taxable value of a company car depends on its list price when first registered, age, value and so on. For more information see Inland Revenue leaflet IR133 *Income tax and company cars from 6 April 1994. A guide for employees*. The full text of this leaflet is available in TaxCalc's Leaflets section. Your employer should give you a form P11D showing the taxable value of your car: alternatively, TaxCalc can work out the taxable value for you. If you want to see how TaxCalc arrived at the taxable value, go to the Company car breakdown on the 'Tax' menu.

Registration number

Enter the registration number of the car here. This is purely for TaxCalc's use, so that each car can be identified - it is not needed for the tax return.

Car benefit figure

Broadly the taxable value of a company car will be 35 per cent of the list price when first registered, minus various reductions, depending on your business mileage, the age of the car etc. your employer should give you a form P11D showing the taxable value of your fringe benefits, including that of your company car and any free fuel provided. TaxCalc gives you two options:

> you can enter the figure shown on your P11D in the 'car benefit' box. In this case, you can ignore all the other boxes on the screen
>
> alternatively, TaxCalc will work out the taxable value for you. To do this, leave the 'car benefit' box blank but give the information requested on the rest of the screen.

Car fuel benefit figure

If your employer provides you with free fuel for your private use you pay tax on a set figure which depends on the type of fuel and the engine capacity of your car. Your employer should give you a form P11D showing the taxable value of any free fuel provided. TaxCalc gives you two options:

- you can enter the figure shown on your P11D in the 'car fuel benefit' box. In this case, you can ignore all the other boxes on the screen
- alternatively, TaxCalc will work out the taxable value for you. To do this, leave the 'car fuel benefit' box blank but give the information requested on the rest of the screen.

Price of car

The price is normally the list price at the time the car was first registered, (or £80,000 if lower) including:

- VAT (but not the annual road tax)
- delivery charges
- the list price of any accessory fitted before you got the car (including VAT and delivery)
- the cost of any accessories over £100 fitted after you got the car (if fitted after 31 July 1993).

Where there is no list price, you will have to agree with the Revenue what the list price would have been, had there been one. However, the open market value at the end of the tax year (or the last day of the tax year in which the car was available to you if earlier) is used for 'classic cars' - those aged 15 years or more at the end of the year and with an open market value of £15,000 or more (providing this is above the list price at registration).

Any capital contributions you make towards the cost of the car and/or accessories, up to a limit of £5,000, will also reduce the 'price' of the car for tax purposes, pound for pound.

Amount paid toward private use

If you are required to pay your employer for private use of your car, and do so, enter the amount: your car's taxable value is reduced by the amount you pay.

Business mileage

Click on the appropriate box. Your car's taxable value is reduced by a third if you travel between 2,500 and 18,000 business miles in a tax year, and by two-thirds if you travel 18,000 miles or more. However, for a 'secondary' car, you get no reduction for business mileage between 2,500 and 18,000 business miles, and only a one-third reduction for 18,000 miles or more.

Number of days unavailable

Only complete this box if the company car you normally use was unavailable for use for a continuous period of at least 30 days, during the time you had it, but you had use of the car again before the end of the tax year. For example, if it was off the road for repairs or was loaned to another employee for temporary use.

If your car was available for only part of the tax year, the mileage limits are reduced in line with the time available. TaxCalc will work this out for you automatically.

Note
Travel from your home to your workplace counts as private use.

Fuel details

This is only relevant if you get fuel for private use, if you do, click the appropriate fuel type and engine size for your car. The free fuel counts as a taxable benefit (you are not taxed on fuel you use solely for business purposes). The taxable value depends on your car's engine size and whether it is petrol or diesel. Unlike the taxable value of the car itself, you cannot get a reduction for money you pay to your employer for private fuel, unless you reimburse your employer for all the private fuel you use.

Cylinder capacity

This is only relevant if your employer provides you with fuel for private use, in which case the larger the engine size, the higher the taxable value.

Secondary car

A second company car provided for you or a member of your family is taxed like the first car, except that there is no reduction for business mileage between 2,500 and 18,000 miles, and if business use is 18,000 miles or over you get only a one-third reduction. TaxCalc will take this into account in the calculations. The car you use least for business counts as a 'second' car. This rule only applies if you had two company cars at the same time from the same employer.

Car over four years old

If your car was four years old or more at the end of the tax year, ie on 5 April 1998, click the box: its taxable value is reduced by one-third.

Changed cars

If you had two company cars from the same employer during the tax year, but not at the same time, enter each as a separate benefit - but do not complete the box titled 'Number of days unavailable'. The taxable value of your car is reduced proportionately in line with the amount of time you had each car - but TaxCalc will work this out for you automatically provided you give the correct information requested (dates and mileage for each car).

For instance, if you changed cars on 31 August 1997, you would fill in the details requested for Car 1 and put 31/08/1997 into the box entitled 'date last available'. Do not complete the box entitled 'date first available' if you had this car before 6 April 1998.

Then press the 'Add new car' button and fill in details for your replacement car (Car 2). Do this in the same manner as for Car 1, except this time complete the box 'date car first available' (in our example this would be 01/09/1997). Do not complete the box 'date car unavailable' if you still had the car on 5 April 1998.

Repeat this exercise if you changed cars more than once during the year. If you changed cars because you moved to a new employer, remember to select the right employer for each (on the **Employment details** screen) before entering the cars' details.

Merely changing company cars during the year does not necessitate completion of the box 'Number of days unavailable'. See help entitled 'Number of days unavailable' for when to complete that particular box.

Pool cars

There is no tax to pay if you use a pool car. To qualify, the car must be made available to, and actually used by, more than one employee, and it should not normally be kept overnight at or near an employee's home. Any private use of the car must be merely incidental to business use, for example, travel between your home and your office as part of a business trip.

Your own car

If you use your own car for business purposes, and your employer reimburses you for your expenses, you are entitled to tax relief - but do not enter it here. This will be entered under **Other fringe benefits** and **Expenses**.

Other motoring costs

If your employer pays for business fuel, repairs, insurance and so on for your company car, it does not increase the taxable benefit. If you pay for them, and are not reimbursed by your employer, you should enter the business expenses under **Expenses**.

This shows you how TaxCalc has arrived at the 'taxable value' for your company car and car fuel. This is a basic 35 per cent of the car's price (or £80,000 if less), but you may qualify for further reductions and discounts. Note that if you entered your own taxable value figure from your P11D, and so left most of the boxes blank, you will not see a breakdown here.

Availability/annual business mileage

If your car is not available for the whole of the tax year, its taxable value is reduced in line with its availability. This also affects the mileage discounts you get if you do more than a certain number of business miles. The business mileage limits are also reduced in line with availability, so if you have a car for only half of the tax year, say, you can still qualify for the full two-thirds reduction so long as you do more than half the normal limit of 18,000 miles, i.e. 9,000 miles. TaxCalc takes account of this by adjusting your business mileage, rather than the mileage limits.

Secondary car

If you (or your family) have more than one car at a time from the same employer, the car you use least for business is classed as a 'secondary' car. This affects the mileage discount.

Mileage discounts

The taxable value of your car is reduced by a third if you travel between 2,500 and 18,000 business miles in a tax year, and by two-thirds if you travel 18,000 miles or more. However, for a 'secondary' car, you get no reduction for business mileage between 2,500 and 18,000 business miles, and only a one-third reduction for 18,000 miles or more.

Age discount

If your car was four years old or more at the end of the tax year, ie on 5 April 1998, its taxable value is reduced by one-third.

Amount paid for private use

If you are required to pay your employer for private use of your car, and do so, your car's taxable value is reduced by the amount you pay.

Free fuel

If your employer provides you with free fuel for your private use you pay tax on a set scale which depends on the type of fuel and engine capacity of your car.

- Dividends
- Other investment income
- Life insurance

Foreign income

- Savings
- Property
- Other income from abroad
- Entered elsewhere

Income from benefits

- Benefits

Income from pensions

- Pensions

Income from property

- Furnished holiday lets
- Other property income

Other income

- Trusts/settlements
- Estates
- Maintenance
- All other income

Reliefs

- Mortgages
- Loans
- Pension contributions
- Maintenance
- Charitable covenants
- Gift Aid donations
- Vocational training
- Venture capital trusts
- Other reliefs

Allowances

- Married couple's allowance
- Transitional allowance
- Blind person's allowance
- Additional personal allowance
- Widow's bereavement allowance

Capital gains tax

Other information

Partnership return

Tax Forms

The following background sections cover all the other material we feel you may need.

Introduction

Enter here all the taxable fringe benefits and expenses your employer paid you (except company cars - enter these under **Company cars**). You will see some of the main fringe benefits are listed on the screen. Some fringe benefits are tax-free altogether, and others may be covered by a dispensation. A dispensation is an arrangement your employer may have with your Tax Office to save you the trouble of including a benefit or expense you get with your tax return, and then making a matching claim for the tax relief of that benefit or expense. Other benefits may also be covered by a PAYE Settlement Agreement.

You do not have to pay tax on benefits and expenses covered by dispensations or agreements and they do not have to be entered on your tax return. You should only enter in this section fringe benefits you know will be taxable (only those included on your P11D or P9D).

Benefits provided for members of your family or household are also regarded as your benefits.

The taxable value of a fringe benefit depends on whether you earn 'at a rate of £8,500 a year or more'. The £8,500 limit includes the value of your fringe benefits (worked out as if you earn over the limit) and any expenses paid to you (unless your employer has a dispensation, as above, in which case you can ignore them). The limit is reduced proportionately if you work for only part of the year. If you are a director you are automatically treated as earning £8,500 or more unless all of the following three conditions apply:

- you are either a full-time working director or a director of a charity or non-profit making concern
- you do not own or control more than 5 per cent of the share capital
- you earn under £8,500.

Employers are obliged to tell the Revenue about all the benefits they pay you on a form P11D or P9D (which form depends on how much you earn), and they must give you a copy of this form by 6 July 1998.

If you don’t earn at a rate of at least £8,500 a year, you’ll usually be taxed on the second-hand value of the benefit. But fringe benefits like medical insurance or a car have no second-hand value, so you will not need to enter them. TaxCalc works out your annual earnings and will warn you if you earn under £8.500 a year and enter benefits which are not taxable at your level of earnings, but if in any doubt you should double-check with your employer.

If the benefit is unavailable for part of the tax year, your tax is reduced accordingly. So if, for example, you have a mobile phone (which has a taxable value of £200 if you earn over £8,500) for 300 days of the year, the taxable value will be £200 x 300/365 = £164.

For full information on the taxation of fringe benefits see Inland Revenue booklet 480, *Expenses and Benefits. A tax guide*. Also, leaflet IR125, *Using your own car for work* (IR125 is available in TaxCalc's Leaflets section). See also the Inland Revenue Help Sheet IR207, *Non-taxable payments or benefits for employees*.

This is how the more common benefits are taxed:

Assets transferred to you or payments made on your behalf

If your employer gives you something that can be converted into money you should include the amount it can be sold for. Examples are a television set, furniture or clothing. There should be an amount included on your P11D to cover such items. The benefit is taxable whatever your level of earnings.

Also, if your employer makes any payments on your behalf which you are due to make, for example, your personal telephone bill, or your rent direct to your landlord, you must include the amount of payment here.

Vouchers/credit cards

Vouchers are items, including tickets, stamps, passes and other documents which you are able to exchange for money, goods or services or use for travel, including for example,

- gift vouchers
- vouchers or stamps for money
- season tickets
- tokens used to get goods from machines.

You pay tax on the value of any vouchers you receive. The benefit is taxable whatever your level of earnings.

For cash vouchers you pay tax on the money you got or could have got if you exchanged the voucher. For any other voucher you pay tax on the expense incurred by the person who provided it. For example, your employer might provide you with vouchers to pay for an hotel and meals for you and your partners. Your employer will advise you of the actual cost of the hotel and meals and it is this cost you should list as your benefit in kind.

Credit cards and tokens include:

- cards issued by credit card companies

- charge cards
- retailers' account cards
- any other card, token, document or item you can use to get money, goods or services, either on credit or by someone else settling the account.

You pay tax on the value of any money, goods or services you get by using a credit card or token provided by your employer. You do not pay tax on any annual subscription for the card itself or any interest charged by the credit card company, which your employer pays.

Any payments you make to your employer for the voucher or use of the card reduce, pound for pound, the amount you pay tax on. Your employer will advise you of the amount you should declare as your 'taxable benefit in kind'.

Some of the payments you have made by credit card or voucher may be entitled to tax relief if

- they were incurred in performing the duties of your job and you are claiming them as 'business expenses'
- they were professional fees or subscriptions.

Make sure you enter any amounts like this in the 'Expenses claimed' section on the **Expenses** screen, so tax relief can be given.

You pay tax on the value of vouchers and credit cards. But there are some exceptions such as:

- the first 15p of luncheon vouchers
- any vouchers, credit cards, charge cards and credit tokens covered by a dispensation your employer has with the Tax Office. Your employer will not show these on your P11D
- a car parking space at or near your place of work
- fuel for a company van
- fuel for a company car where you pay tax on the fuel scale charge. However, you must include in this box the cost of fuel bought by your employer's credit card or voucher for any other car, such as your own car.

For a full list and more information see Inland Revenue Help Sheet IR201, *Vouchers, credit cards and tokens*.

Living accommodation

Living accommodation is any accommodation in which you can live, whether you live there all the time or only occasionally. The benefit is taxable whatever your level of earnings.

The taxable value is, broadly, the greater of the gross rateable value of the home, or the rent paid by your employer less any rent that you pay. If there is no rateable value, your employer will estimate a value and agree it with the Revenue. If your accommodation costs more than £75,000, there will be an extra charge. However, unless you are a director (when special rules apply) the accommodation is tax-free if one of the following applies.

You have to live in the home to do your job properly (eg you are the caretaker in a block of flats).

You are in the kind of employment where it is customary for living accommodation to be provided and it enables you to do your job better (for example, you are a publican).

There is a special threat to your security and you live in the home as part of special security arrangements.

A list of the main occupations that are exempt are given in Inland Revenue Help Sheet IR202, *Living Accommodation*. The Help Sheet also contains a working sheet to help you calculate the taxable value of any living accommodation provided for you. However, your employer should indicate the taxable value on your P11D.

Interest free and low interest loans

You should enter here the cash equivalent of any interest free or low interest loans. This is the difference between the interest you pay and the amount that you would pay based on the 'official' rate of interest. However, if the loan qualifies for tax relief, for example, a home loan, the tax relief is worked out as if you paid interest at the official rate: claim any extra tax relief on the **Loans** screen in the Reliefs section of TaxCalc. As the 'official' rate is liable to change during the tax year, most employers work out the benefit using an average official rate over twelve months. The benefit is taxable only if you count as earning above the £8,500 limit.

Mobile phones

Mobile phones have a taxable value of £200 unless you use them only for business, or you are required by your employer to (and in practice, do) refund your employer for the cost of private use. the benefit is taxable only if you count as earning above the £8,500 limit.

Mileage allowance

If you use your own car for work and your employer pays you an allowance, the amount you receive might be more than the amount of tax relief you can claim. The extra is taxable profit and should be entered here. the benefit is taxable whatever your level of earnings. Travel between your home and your place of work is not classed as business mileage for tax purposes.

However, if the amount of the tax relief you are due is more than the allowance you receive, you can claim the difference against other income by entering the amount under 'Travel and subsistence costs' in the **Expenses** screen.

The Fixed Profit Car Scheme (FPCS) is the most common way of calculating the taxable profit of a mileage allowance by deducting fixed relief rates (pence per mile) from the allowances you receive.

If your employer is a member of the FPCS you will be told what the profit in your mileage allowance was under the FPCS. Enter this amount here. You do not have to use the FPCS if you would benefit from claiming the actual cost of your business mileage, providing you have records to back up your claim.

Alternatively, you can still use the FPCS limit even if your employer is not actually a member of the scheme. Your employer will confirm the gross mileage allowance paid to you during the tax year, and the number of business miles travelled. You can then use the following table to calculate the tax relief for those business miles.

FIXED PROFIT CAR SCHEME - 1997-98

Car engine size (cc)	Up to 4,000 business miles (pence per mile)	Over 4,000 business miles (pence per mile)
up to 1000	28p	17p
1001 to 1500	35p	20p
1501 to 2000	45p	25p
over 2000	63p	36p

Example 1

Your employer paid you 30p per mile for travelling 6,500 business miles in your car in the year. Your car has a 1,400cc engine:

Amount received	6,500 x 30p	= £1,950	
less FPCS relief	4,000 x 35p	= £1,400	
	2,500 x 20p	= £500	
Total			£1,900
Taxable 'profit' of mileage allowance			**£**50

This 'profit' should be entered here. TaxCalc will add this to your gross income, just like any other taxable fringe benefit.

Employer 2

Your employer pays you 10p per mile for travelling 3,000 business miles in your car in the year. Your car has a 1,800cc engine

Amount received	3,000 x 10p	= £300
FPCS relief	3,000 x 45p	= £1,350
Tax relief still due		= £1,050

In Example 2, the amount of tax relief still due can be claimed as an 'allowable expense' and should be entered under 'Travel and subsistence costs' in the **Expenses** screen. TaxCalc will deduct this amount from gross income. See leaflet IR125 *Using your own car for work* for more information (the full text of this leaflet is available in TaxCalc's Leaflets section).

Vans

A motor vehicle primarily suited for carrying goods or other objects and designed (or adapted) not to exceed a laden weight of 3,500kg in normal use. If you get private use of a company van, you will pay tax on a flat amount of:

£500 if it was first registered on or after 6 April 1994, or

£350 otherwise

The benefit is taxable only if you count as earning above the £8,500 limit. If the van was first provided exclusively to you part-way through the tax year, or you started to share the use of the van before the end of the tax year, the standard charge is reduced proportionately. You can deduct any amount you are required to pay for private use of the van. Your employer should provide the taxable figure on your P11D. Also, ask for Inland Revenue leaflet IR136, *Income Tax and company vans*, for more information.

Private medical or dental insurance

This will generally be what the benefit cost the person (your employer) who provided it to you. You will need to get this figure from your employer, if it has not already been provided to you. The figure should be contained on your P11D. If you made any payment towards the cost of the benefit, this should be deducted from the taxable value. The benefit is taxable only if you count as earning above the £8,500 limit.

Other fringe benefits

Any fringe benefits you receive which are not included in the list above, should be entered in the box entitled 'Other benefits'.

Whereas fringe benefits are added to your income, certain expenses can be deducted before you arrive at your 'taxable income'. These expenses are called 'allowable expenses'. The rules say an expense is allowable only if it is incurred 'wholly, exclusively and necessarily for the purposes of your work'. If it is made partly for non-work purposes none is allowable. However, in practice, some expenses (for example road tax, insurance, repairs for a car you use for work) may be apportioned between private and business use - the business proportion is then allowable.

The tax return asks you to give details of all the expense payments you received from your employer during the tax year and then to state which allowable expenses you wish to claim tax relief for. Expenses payments from your employer are *added* to your income for tax purposes, together with any balancing charges, and allowable expenses are *deducted* from your taxable income - so it's important to claim all the expenses to which you are entitled. When claiming allowable expenses, it doesn't matter whether or not your employer reimbursed you - you can claim any expenses 'wholly, exclusively and necessarily' incurred, even if you had to bear the cost yourself.

Payments received

Enter here the total amount you received from your employer for expenses during 1997-98 and any balancing charges due. Your expenses payments should be shown on the form P11D or P9D which your employer should give you after the end of the tax year (a copy of which also goes to the Revenue).

Balancing charges

Balancing charges are an addition to your taxable income. They sometimes arise when you sell assets or equipment on which you previously claimed capital allowances. Although this normally applies when you are self-employed they could occur when you dispose of assets or equipment which you have to provide for use in carrying out your duties as an employee. If you need more information, ask for Inland Revenue Help Sheet IR206, *Capital allowances for employees and office holders*. The Help Sheet will tell you how to calculate any capital allowances or balancing charges that might apply to you.

Travel and subsistence costs

You can claim for travel and subsistence costs for business journeys, but not travel to and from your home. If you pay any running costs for your company car, claim whatever proportion of the cost is attributable to your business use. Occasional late-night journeys home may be allowed, or extra travel costs if public transport is disrupted, for example, by industrial action: there are also a few other exceptions, described in the Inland Revenue's notes to the Employment supplementary pages. From 1998-99, if you are required to work somewhere other than your normal place of work, you will be able to claim the costs of travelling from home in certain circumstances.

If you use your own car for work and your employer pays you a smaller allowance than the Fixed Profit Car Scheme scales (or less than the travelling actually cost you), you can claim the amount by which you are out of pocket. Enter the amount here. See also 'Mileage allowance'.

> Warning
> Tick the box if the figure you enter for travel and subsistence costs includes home to work travel. But be prepared to justify the expenses to the Revenue, as these are not normally allowable.

Fixed deductions for expenses

These are fixed amounts of expenses agreed between the Inland Revenue and some Trade Unions or other bodies to cover the cost of maintaining or replacing tools or special working clothes. If you spent more than the fixed amount, you can claim more - if so, you should leave this box blank and enter the amounts spent under 'Other expenses and capital allowances'.

Professional fees and subscriptions

Subscriptions to professional bodies are allowable provided membership is relevant to your job. Also, the fee for keeping your name on a professional register approved by the Inland Revenue - but only if this is a condition of your employment. You should enter the amount of the fee you wish to claim tax relief on. If you are unsure whether the whole fee attracts tax relief, check with the professional body concerned.

Capital allowances

Capital allowances are a deduction from your taxable income. They are an allowance for the depreciation of assets or equipment which you have to provide for use in carrying out your duties as an employee - for example, a car which you have to have for your work. For information on whether you can claim, see Inland Revenue Help Sheet IR206 *Capital allowances for employees and office holders.*

Other expenses

- Books and training courses
- Reference books
- Working from home
- Interest on loans
- Married couples
- Entertaining
- Living expenses
- Protective or uniform clothing
- Liability insurance and related costs

Books and training courses

The cost of fees and essential books you buy for a full-time external training course lasting four weeks or more is allowable. Your employer must either require you, or at least encourage you to attend the course and must go on paying your wages while you are on it. The extra cost of living away from home and extra travelling expenses, if away for under a year may also be allowable. Evening course fees are not allowable.

Reference books

The cost of reference books necessary for your job which you have to provide is allowable. (If the book's useful life is more than two years you may have to claim capital allowances instead.) The cost of stationery used strictly for your job is also allowable. The cost of books essential for a full-time training course may possibly be allowable.

Working from home

If you are required to use your home for work, a proportion of the heating and lighting costs, and possibly a proportion of the telephone, cleaning and insurance costs will be allowable. If part of your home is used exclusively for business you may be able to claim a proportion of the rent.

Interest on loans

Interest on loans to buy equipment (for example, a car or a computer) necessary for your job is allowable, providing you would be entitled to capital allowances if you bought the equipment instead, and providing the loan is repaid within three years from the end of the tax year in which you took out the loan.

Married couples

If your employer pays for a wife or husband to accompany an employee on a business trip, the cost may be allowable if the wife or husband has, and uses, practical qualifications directly associated with the trip, or if their presence is necessary for the essential business entertaining of overseas trade customers, or if the employee's health is so poor that it is unreasonable to travel alone. Only a proportion of the cost may be allowed.

Entertaining

Expenses of entertaining customers are only rarely allowable. Whether they are allowed may depend on whether your employer claims them as an expense, so check with your own employer. However, broadly, these expenses are allowable only if you can claim them back from your employer, or pay them out of an expense allowance specifically given for entertaining. Employees of some non-trading organisations may be able to claim more entertainment expenses.

Living expenses

If you keep a permanent home, reasonable hotel and meal expenses when travelling in the course of your job are allowable. But if, say, you are a single person living in an hotel and give up your room when travelling, you can claim only the extra cost of reasonable hotel and meal expenses over your normal board and lodging. You cannot claim expenses for meals you would not have normally had at that time. Note, though, that from 1998-99 a more generous system will apply if you have to live away from home temporarily for work.

Protective or uniform clothing

If you wish to claim for the cost of replacing, cleaning and repairing protective or functional clothing (for example, a uniform) necessary for your job put the amount here. Equally, the cost of maintaining and repairing factory and workshop tools and musical instruments you are required to provide should go here. Only use this box if you are not claiming under fixed deductions for expenses.

Liability insurance and related costs

You get tax relief for the costs and expenses of dealing with a claim that you committed some wrongful act as an employee, or for the cost of insuring against such a claim. Enter the amount here.

Fixed Profit Car Scheme

Some employers use this scheme, by arrangement with the Revenue, under which the profit element in a business mileage allowance is identified according to bands of business mileage and agreed 'tax-free rates' fixed by reference to engine size. You can use the mileage rates set under this scheme, even if your employer has not elected to join.

Introduction

How foreign income is taxed

Any income from abroad is treated in broadly the same way as UK income of the same type: the same rates of tax apply and the calculation is broadly similar. However, special rules are needed to cope with the following:

- deciding which income is taxable in the UK. The general rule is that all income arising from a foreign country is taxable in the UK, whether or not you actually bring it into the country. An exception is made for unremittable income
- deciding the rate of exchange which should be used to convert the foreign income to sterling. All figures should be entered in sterling, except for unremittable income
- allowing for any foreign tax you may already have paid on the income. To avoid being taxed twice, once abroad and once in the UK, you can either deduct the foreign tax from the income received or claim tax credit relief. Tax credit relief usually saves you most tax
- people who are non-resident, not ordinarily resident or non-domiciled in the UK (note that you cannot use TaxCalc to work out your tax if any of these applies to you).

Warning
The taxation of income from abroad can be complex and TaxCalc cannot anticipate every exceptional case. If you are in any doubt about what to enter, ask your tax office or tax adviser for help.

More help

Fuller information is given in the Inland Revenue notes accompanying the ‘Foreign’ supplementary pages. Also see Inland Revenue leaflets IR20 *Residents and non-residents* and IR139 *Income from abroad?*

Rate of exchange

The general rule is that the foreign income or gain is converted to sterling at the rate of exchange applying at the time when the income arose (e.g. the date when savings interest is credited to your account).

There is an exception if you are entering sums which were previously treated as unremittable income. In this case, convert the amount into sterling using the rate of exchange applying on the date it was received in the UK.

Income from a source which ceased

You may be affected by special rules dealing with the transition to self-assessment, if all of the following apply:

- you have overseas income from a source which first arose before 6 April 1994
- you ceased to own this source of income during 1997-98
- the amount of income which arose in 1996-97 was greater than the amount on which you were taxed.

These special rules allow your tax office to look again at the amount on which you were taxed in 1996-97, and to tax you on the actual amount you received instead, if this would mean a higher tax bill. If this affects you, enter the date on which you ceased to possess the source of income and the amount of income arising in 1996-97, in the ‘Additional information’ box on the ‘Other income from abroad’ screen.

Property

Income received from land or property abroad is taxed in broadly the same way as that from UK property, except that the special rules for furnished holiday lets do not apply. The other main difference is that income from overseas property is taxed on a property by property basis, whereas if you have income from more than property in the UK, it is pooled for the purposes of working out your tax. For this reason, you need to enter details for each overseas property separately, using the ‘Add property’ button: TaxCalc will work out the taxable profit for each.

Chargeable premiums

If you receive premiums from the grant of a lease and other such payments for property abroad, only part of the premium may be taxable. A working sheet to help you work out the taxable income is included in the Inland Revenue’s notes accompanying the ‘Foreign’ supplementary pages. Type in ‘Chargeable premiums’ in the ‘Address’ box, tick the 'Chargeable premiums' box and enter the taxable amount in the ‘Total rents and other receipts’ box - you do not need to complete the ‘Expenses’ or ‘Tax adjustments’ boxes.

Country/Address

Enter here the name of the country in which the income or gain arose, and the address of the property. Note that for tax purposes, ‘the United Kingdom’ is made up of England, Wales, Scotland and Northern Ireland. So income from (and capital gains made in) any other country counts as ‘foreign’, including that from the Channel Islands and the Isle of Man.

Unremittable income

If you have income from property outside the UK that you were unable to transfer (or 'remit') to the UK, because of exchange controls or a shortage of foreign currency in the overseas country, then you can claim that the unremittable income should not be taxed until it is possible to transfer it. Note that you cannot claim 'unremittable' status for income arising from property in the Republic of Ireland.

If you have unremittable income, you should still tell the Revenue about the income by entering the country, amount before tax and foreign tax, but be sure to click on the 'Unremittable income' box and leave the 'Amount chargeable' box empty. You still need to enter your taxable profit from the property - you can either complete the 'Expenses' and 'Tax adjustments' boxes and TaxCalc will do this for you, or you can work it out for yourself, enter the result under 'Total rents', and leave the 'Expenses' and 'Tax adjustments' boxes empty. In this case only, enter the rent (and other figures) in the foreign currency of the country concerned, rather than converting it to sterling. After you have printed out the tax return, cross out the £ sign pre-printed on the form.

Claiming tax credit relief

To avoid paying two lots of tax on your foreign income, both overseas and in the UK, you can just deduct the foreign tax from the before-tax amount, and then work out your UK tax on the amount you are left with. However, claiming tax credit relief instead will usually result in a lower tax bill, because it provides relief if the foreign income pushes you into a higher tax bracket.

Roughly speaking, to work out your tax credit relief, you work out:

- the UK tax on your income including the item of foreign income
- the UK tax on your income excluding the item of foreign income.

The relief is the difference between the two or, if less, the amount of foreign tax. In practice, the calculations can get very complicated if you have more than one item of foreign income because the relief has to be worked out separately for each, according to a strict order of priority. TaxCalc does this for you automatically. However, it cannot currently deal with special rules if as well as foreign income you have taxable lump sums from an employer or from a life insurance policy, or if you have taxable capital gains. Special working sheets are available for the Inland Revenue if this affects you.

TaxCalc assumes that in most cases it will be better to claim tax credit relief, and so the 'tax credit relief' button will remain ticked unless you click on it. However, you can see what difference it makes by running TaxCalc both with and without the 'tax credit relief' button ticked to see which produces the smallest tax bill. In particular, tax credit relief is likely to be less advantageous if you would have no UK tax to pay on the item in any case.

Note

Tax credit relief is not always available, for example it is not available on dividend income from the Isle of Man. You should always check the position for any country from which you receive foreign income or gains, in case there are any limitations or special rules to observe. Ask your tax office or tax adviser. And from 17 March 1998, if you get a refund of some of the foreign tax on which you have already claimed relief, you have to notify the Inland Revenue who will claw back some of the relief.

Total rents and other receipts

Total up all income (whether it is paid in cash or kind) due to you in the 1997-98 tax year, even if you do not receive the money or goods until later. Include any rent arrears that may be paid to you after April 5 1998, but which fell due in the tax year ending 5 April 1998. However, exclude any rent you may have received in advance (ie any rent relating to the period beginning 6 April 1998 and beyond).

Include all income from this source, whether it comes from land, commercial or domestic property. It does not matter whether the property is let furnished or unfurnished, but include any payments for services such as meals, laundry, gardening etc., as well as income such as receipts from waste tipping or sporting rights, and ground rents.

UK tax

Your foreign income may be paid to you through an agent in the UK (e.g. a bank). The agent will normally deduct tax before passing the money on to you. In this case, you should enter the amount deducted here: TaxCalc will take it into account when working out your final tax bill.

If you have already paid some tax on this income through your payments on account, enter this on the **Tax paid** screen under Other information, not here.

Foreign tax

Enter here the amount of any foreign tax you have already paid on the item of income. For example, some foreign tax may have been deducted before the income was paid to you (in which case it is known as 'withholding tax'). TaxCalc will take the foreign tax into account when deciding how much further UK tax is due. However, you cannot take into account any tax in excess of the amount set out in any Double Taxation Agreement between the UK and the foreign country. If you paid more, you should enter here only the minimum amount to which you were liable and approach the overseas tax authority for a refund of the excess. Further information on the amount of foreign tax you can set against your UK tax bill is given in the notes to the 'Foreign' supplementary pages.

There are two ways in which foreign tax can be taken into account in the calculation:

- by simply deducting the foreign tax paid from the before-tax amount of income
- by claiming tax credit relief.

Tax credit relief will normally result in the smallest tax bill, but if you decide not to claim it, or cannot (see Note above), or if the income is unremittable, you should click on the 'tax credit relief' button to remove the tick, deduct the foreign tax from the before-tax amount of income, and enter the result in the 'Amount chargeable' box.

Amount chargeable

The figure to enter here depends on whether the income counts as unremittable income and on whether or not you are claiming tax credit relief:

- if you have entered an item of unremittable income it is not taxable. Do not enter anything in the ‘amount chargeable’ box.

if you have decided to claim tax credit relief, you can also leave the ‘amount chargeable’ box blank, providing you have entered the before-tax amount. TaxCalc will calculate the relief for you separately, providing the ‘tax credit relief’ box for the item is ticked. If you do enter anything in the amount chargeable box, this will override TaxCalc's calculations of your taxable profit.

if you are not claiming tax credit relief, enter the rest of the data required on the screen, save it, and then look at the ‘Foreign’ supplementary page on the ‘Forms’ menu. This will show you the taxable profit from this property for the year. Deduct the foreign tax from the taxable profit, and enter the result at ‘Amount chargeable’. Remember to click on the tax credit relief button to remove the tick.

Expenses

You can deduct certain expenses from your rental income. A loan to buy or improve property which you let may also be deductible.

If only part of the property is let, or for only part of the year, you can claim only whatever part of the expense is in line with the proportion of the letting. Enter the correct proportion of your expenses in the appropriate box.

Note that if your total property income in the year before expenses is under £15,000 over the whole year, you do not need to break down your expenses into the categories shown: you can just enter the total under ‘Other expenses’.

Tax adjustments

To arrive at your 'taxable' income (or loss) from property, you need to make certain adjustments to the net profit or loss which arose during the tax year.

Private use

Private and personal expenses are not allowable. If you spend money on something which is only partly used in the renting of the property(ies) or land you own, and partly for your own private use you must either:

put the proportion of the expense which relates to the rental property under 'expenses', **or**

put the whole amount of the expense in the 'expenses' section and also enter the proportion of the expense which relates to private use under 'tax adjustments'.

For example, say you employ a caretaker who works for three hours a week on your private property abroad, and three hours a week maintaining an adjoining property on which you receive rental income. You could either claim 50 per cent of the wages you pay under 'expenses' or you can put 100 per cent of the wage bill into 'expenses' and 50 per cent under 'tax adjustments - private use'. It does not matter which method you choose as long as you only claim the expenses due to you for the rented property (or land).

Capital allowances and balancing charges

When you work out your profits from property income, you must not deduct:

- the cost of buying, altering, building or installing or improving fixed assets (for example, property and machinery), or
- depreciation or any losses which arise when you sell them.

Instead you may in a few cases be able to claim capital allowances. These reduce a profit or increase a loss. An adjustment, known as a balancing charge, may arise when you sell an item, give it away or stop using it. Balancing charges increase your profits or reduce your loss. For more information ask for Inland Revenue Help Sheet IR250 *Capital Allowances and Balancing Charges in a Rental Business*. Note that you cannot claim capital allowances if you are renting out a furnished 'dwelling house' or flat - you can claim an allowance for ‘wear and tear’ instead.

Relevant deductions

The calculation of tax credit relief can be affected by tax relief you have claimed on payments such as personal pension contributions or charitable covenants. If any of the payments you have claimed under the ‘Reliefs’ section of TaxCalc relate specifically to, and depend upon the amount of, a particular item of foreign income, you should enter the amount of the payment as a ‘Relevant deduction’. An example might be personal pension contributions you make, on the basis of foreign earnings. If only part of the payment is related to the foreign income, you should enter only the relevant part.

10% wear & tear

You can claim a deduction for 'wear and tear' if you let a furnished property. You may claim a deduction for either:

- the cost of replacing a particular item of furniture or furnishings *less* anything you received from selling the original item and *less* any amount that represents an improvement on or addition to the original item
- an allowance amounting to ten per cent of the rent received after deducting charges or services which would normally be borne by a tenant but which are, in fact, borne by you (for example, Council Tax).

If you have the option of claiming either capital allowances or wear and tear you must choose one or the other - you cannot have both.

Losses brought forward from last year

If you have made a loss from owning an overseas property, it is carried forward to future years to set against other income from this property. Enter here any losses you may have made in previous years relating to this particular property that you wish to offset against this year's rental income. TaxCalc will deduct this when working out your taxable income.

If you have made a loss from overseas property in 1997-98, TaxCalc will work out the amount for you and enter it at box 6.31 on the ‘Foreign’ supplementary pages.

Introduction

How foreign income is taxed

Any income from abroad is treated in broadly the same way as UK income of the same type: the same rates of tax apply and the calculation is broadly similar. However, special rules are needed to cope with the following:

- deciding which income is taxable in the UK. The general rule is that all income arising from a foreign country is taxable in the UK, whether or not you actually bring it into the country. An exception is made for unremittable income
- deciding the rate of exchange which should be used to convert the foreign income to sterling. All figures should be entered in sterling, except for unremittable income
- allowing for any foreign tax you may already have paid on the income. To avoid being taxed twice, once abroad and once in the UK, you can either deduct the foreign tax from the income received or claim tax credit relief. Tax credit relief usually saves you most tax
- people who are non-resident, not ordinarily resident or non-domiciled in the UK. Note that you cannot use TaxCalc to work out your tax if any of these applies to you - this is why there is no section for handling savings income taxable on the remittance basis.

Warning

The taxation of income from abroad can be complex and TaxCalc cannot anticipate every exceptional case. If you are in any doubt about what to enter, ask your tax office or tax adviser for help.

More help

Fuller information is given in the Inland Revenue notes accompanying the ‘Foreign’ supplementary pages. Also see Inland Revenue leaflets IR20 *Residents and non-residents* and IR139 *Income from abroad?*

Rate of exchange

The general rule is that the foreign income or gain is converted to sterling at the rate of exchange applying at the time when the income arose (for example, the date when savings interest is credited to your account).

There is an exception if you are entering sums which were previously treated as unremittable income. In this case, convert the amount into sterling using the rate of exchange applying on the date it was received in the UK.

Income from a source which ceased

You may be affected by special rules dealing with the transition to self-assessment, if all of the following apply:

- you have overseas income from a source which first arose before 6 April 1994
- you ceased to ceased to own this source of income during 1997-98
- the amount of income which arose in 1996-97 was greater than the amount on which you were taxed.

These special rules allow your tax office to look again at the amount on which you were taxed in 1996-97, and to tax you on the actual amount you received instead, if this would mean a higher tax bill. If this affects you, enter the date on which you ceased to possess the source of income and the amount of income arising in 1996-97, in the 'Additional information' box on the **Other income from abroad** screen.

Savings

Note that unlike the rest of the tax return, you are expected to enter each item of investment income separately. So separate entries need to be made for the income from each savings account, share or unit trust holding. If you acquired more than one block of shares in the same company at different times, each block should be entered as a separate item.

You should *not* enter here:

- foreign income dividends paid by a UK company. These count as UK, not foreign, income and should be entered in the Savings and investments section of TaxCalc
- any gains from selling or disposing of your investment in an offshore fund. In some cases, these gains are taxed as income rather than as capital gains, but they should be entered on the **Other income from abroad** screen, not here. Only enter here the income from such funds
- stock dividends or scrip issue bonus shares from a foreign company, distributions in the form of the company's own stocks and shares or distributions that count as a return of your capital
- dividends and other savings income taxable on the 'remittance basis' - this only applies to individuals are not domiciled or ordinarily resident in the UK, and is therefore not covered by TaxCalc at present.

Country

Enter here the name of the country in which the income or gain arose. As required by the Inland Revenue, also enter the type of income received, by typing in after the name of the country [D] for dividends, [I] for interest or [O] for other savings income.

Note that for tax purposes, 'the United Kingdom' is made up of England, Wales, Scotland and Northern Ireland. So income from (and capital gains made in) any other country counts as ‘foreign’, including that from the Channel Islands and the Isle of Man.

Unremittable income

If you have income arising outside the UK that you were unable to transfer (or ‘remit’) to the UK, because of exchange controls or a shortage of foreign currency in the overseas country, then you can claim that the unremittable income should not be taxed until it is possible to transfer it.

If you have unremittable income, you should still tell the Revenue about the income by entering the country, amount before tax and foreign tax, but be sure to click on the ‘Unremittable income?’ box and leave the ‘Amount chargeable’ box empty. In this case only, enter the income and foreign tax in the foreign currency rather than converting it to sterling. After you have printed out the tax return, cross out the £ sign pre-printed on the form.

Amount before tax

Enter the amount credited to you (or remitted, if previously unremittable), before deducting any UK or foreign tax, but after deducting any unremittable income. The information should be shown on any dividend or unit trust voucher, or any other documentation received with the income.

There is an exception if you received dividends from Finland, France, Italy or the Republic of Ireland. For these dividends, you may be able to receive payment of the overseas tax credit, in addition to the dividend. If this applies, you should add together the dividend received plus the tax credit and enter the total as the ‘Amount before tax’ (and remember to include any tax withheld as 'Foreign tax'). For further information contact the Inland Revenue at:

Financial Intermediaries and Claims Office (International)
Fitzroy House
PO Box 46
Nottingham NG2 1BD. Tel: 0115 984 2000.

UK tax

Your foreign income may be paid to you through an agent in the UK (e.g. a bank). The agent will normally deduct tax before passing the money on to you. In this case, you should enter the amount deducted here: TaxCalc will take it into account when working out your final tax bill.

If you have already paid some tax on this income through your payments on account, enter this on the **Tax paid** screen in the Other information section of TaxCalc, not here.

Foreign tax

Enter here the amount of any foreign tax you have already paid on the item of income. For example, some foreign tax may have been deducted before the income was paid to you (in which case it is known as ‘withholding tax’). TaxCalc will take the foreign tax into account when deciding how much further UK tax is due. However, you cannot take into account any tax in excess of the amount set out in any Double Taxation Agreement between the UK and the foreign country. If you paid more, you should enter here only the minimum amount to which you were liable and approach the overseas tax authority for a refund of the excess. Further information on the amount of foreign tax you can set against your UK tax bill is given in the notes to the 'Foreign' supplementary pages.

There are two ways in which foreign tax can be taken into account in the calculation:

- by simply deducting the foreign tax paid from the before-tax amount of income
- by claiming tax credit relief.

Tax credit relief will normally result in the smallest tax bill, but if you decide not to claim it, or cannot (see Note below), or if the income is unremittable, you should click on the 'tax credit relief' button to remove the tick, deduct the foreign tax from the before-tax amount of income, and enter the result in the 'Amount chargeable' box.

Amount chargeable

The figure to enter here depends on whether you have entered an item of unremittable income and on whether or not you are claiming tax credit relief:

- if you have entered an item of unremittable income it is not taxable. Do not enter anything in the 'amount chargeable' box
- if you have decided to claim tax credit relief, you can also leave the 'amount chargeable' box blank, providing you have entered the before-tax amount. TaxCalc will calculate the relief for you separately, providing the 'tax credit relief' box for the item is ticked
- if you are not claiming tax credit relief, take the before-tax amount, deduct the foreign tax, and enter the result at 'Amount chargeable'. Remember to click on the tax credit relief button to remove the tick.

Claiming tax credit relief

To avoid paying two lots of tax on your foreign income, both overseas and in the UK, you can just deduct the foreign tax from the before-tax amount, and then work out your UK tax on the amount you are left with. However, claiming tax credit relief instead will usually result in a lower tax bill, because it provides relief if the foreign income pushes you into a higher tax bracket.

Roughly speaking, to work out your tax credit relief, you work out:

- the UK tax on your income including the item of foreign income
- the UK tax on your income excluding the item of foreign income.

The relief is the difference between the two or, if less, the amount of foreign tax. In practice, the calculations can get very complicated if you have more than one item of foreign income because the relief has to be worked out separately for each, according to a strict order of priority. TaxCalc does this for you automatically. However, it cannot currently deal with special rules if as well as foreign income you have taxable lump sums from an employer or from a life insurance policy, or if you have taxable capital gains. Special working sheets are available for the Inland Revenue if this affects you.

TaxCalc assumes that in most cases it will be better to claim tax credit relief, and so the 'tax credit relief' button will remain ticked unless you click on it. However, you can see what difference it makes by running TaxCalc both with and without the 'tax credit relief' button ticked to see which produces the smallest tax bill. In particular, tax credit relief is likely to be less advantageous if you would have no UK tax to pay on the item in any case.

Note

Tax credit relief is not always available, for example it is not available on dividend income from the Isle of Man. You should always check the position for any country from which you receive foreign income or gains, in case there are any limitations or special rules to observe. Ask your tax office or tax adviser. And from 17 March 1998, if you get a refund of some of the foreign tax on which you have already claimed relief, you have to notify the Inland Revenue who will claw back some of the relief.

Relevant deductions

The calculation of tax credit relief can be affected by tax relief you have claimed on payments such as personal pension contributions or charitable covenants. If any of the payments you have claimed under the 'Reliefs' section of TaxCalc relate specifically to, and depend upon the amount of, a particular item of foreign income, you should enter the amount of the payment as a 'Relevant deduction'. An example might be personal pension contributions you make, on the basis of foreign earnings. If only part of the payment is related to the foreign income, you should enter only the relevant part.

If you are married

If you have money invested jointly with your husband or wife, enter half the income paid out by the account, unless you have already elected for a different split.

Savings
Property
Other income from abroad
Entered elsewhere

Introduction

How foreign income is taxed

Any income from abroad is treated in broadly the same way as UK income of the same type: the same rates of tax apply and the calculation is broadly similar. However, special rules are needed to cope with the following:

- deciding which income is taxable in the UK. The general rule is that all income arising from a foreign country is taxable in the UK, whether or not you actually bring it into the country. An exception is made for unremittable income
- deciding the rate of exchange which should be used to convert the foreign income to sterling. All figures should be entered in sterling, except for unremittable income
- allowing for any foreign tax you may already have paid on the income. To avoid being taxed twice, once abroad and once in the UK, you can either deduct the foreign tax from the income received or claim tax credit relief. Tax credit relief usually saves you most tax
- people who are non-resident, not ordinarily resident or non-domiciled in the UK (note that you cannot use TaxCalc to work out your tax if any of these applies to you).

Warning

The taxation of income from abroad can be complex and TaxCalc cannot anticipate every exceptional case. If you are in any doubt about what to enter, ask your tax office or tax adviser for help.

More help

Fuller information is given in the Inland Revenue notes accompanying the ‘Foreign’ supplementary pages. Also see Inland Revenue leaflets IR20 *Residents and non-residents* and IR139 *Income from abroad?*

Rate of exchange

The general rule is that the foreign income or gain is converted to sterling at the rate of exchange applying at the time when the income arose (for example, the date when savings interest is credited to your account).

There is an exception if you are entering sums which were previously treated as unremittable income. In this case, convert the amount into sterling using the rate of exchange applying on the date it was received in the UK.

Income from a source which ceased

You may be affected by special rules dealing with the transition to self-assessment, if all of the following apply:

- you have overseas income from a source which first arose before 6 April 1994
- you ceased to own this source of income during 1997-98
- the amount of income which arose in 1996-97 was greater than the amount on which you were taxed.

These special rules allow your tax office to look again at the amount on which you were taxed in 1996-97, and to tax you on the actual amount you received instead, if this would mean a higher tax bill. If this affects you, enter the date on which you ceased to possess the source of income and the amount of income arising in 1996-97, in the ‘Additional information’ box on the **Other income from abroad** screen.

Tax credit relief for other foreign income

You may have entered overseas income elsewhere in TaxCalc. For example, if you work overseas you need to complete the Employment, Self-employment or Partnership sections of TaxCalc, as appropriate: you may also have entered foreign income on the **Any other income** screen.

If so, TaxCalc will work out the taxable amount of income or gains, but if you have paid foreign tax on this income, and want to claim tax credit relief, you should also fill in this screen. When you print out the tax return, you should check the page reference number where the information is entered, and write this reference in the left-hand column on page F3 of the Foreign supplementary pages.

Country

Enter here the name of the country in which the income or gain arose, and the page number in your tax return where you entered the rest of the information relating to it (e.g. page E2 of the ‘Employment’ supplementary pages).

Note that for tax purposes, ‘the United Kingdom’ is made up of England, Wales, Scotland and Northern Ireland. So income from (and capital gains made in) any other country counts as ‘foreign’, including that from the Channel Islands and the Isle of Man.

Unremittable income

If you have income arising outside the UK that you were unable to transfer (or ‘remit’) to the UK, because of exchange controls or a shortage of foreign currency in the overseas country, then you can claim that the unremittable income should not be taxed until it is possible to transfer it.

If you have unremittable income, you should still tell the Revenue about the income by entering the country, amount before tax and foreign tax, but be sure to click on the 'Unremittable income?' box and leave the 'Amount chargeable' box empty. In this case only, enter the income and foreign tax in the foreign currency rather than converting it to sterling. After you have printed out the tax return, cross out the £ sign pre-printed on the form.

Foreign tax

Enter here the sterling amount of any foreign tax you have already paid on the item of income. This is needed to calculate the amount of tax credit relief you are due.

Amount chargeable

You should enter here the item of income which you have entered elsewhere in TaxCalc and on which you are now claiming tax credit relief. However, you may need to adjust the amount you enter:

- if only part of the taxable amount entered elsewhere relates to overseas income. You need to enter here only the amount of the overall profits attributable to the overseas receipts
- if you earned profits from a trade, profession or vocation in 1997-98 and you have overlap profits. See Inland Revenue Help Sheet *IR260: Overlap*.

Tax credit relief

To avoid paying two lots of tax on your foreign income, both overseas and in the UK, you can just deduct the foreign tax from the before-tax amount, and then work out your UK tax on the amount you are left with. However, claiming tax credit relief instead will usually result in a lower tax bill, because it provides relief if the foreign income pushes you into a higher tax bracket. You only need to complete this screen if you want to claim tax credit relief.

Roughly speaking, to work out your tax credit relief, you work out:

- the UK tax on your income including the item of foreign income
- the UK tax on your income excluding the item of foreign income.

The relief is the difference between the two or, if less, the amount of foreign tax. The calculations can get very complicated if you have more than one item of foreign income because the relief has to be worked out separately for each, according to a strict order of priority. TaxCalc does this for you automatically. However, it cannot deal with special rules if as well as foreign income you have taxable lump sums from an employer or from a life insurance policy, or if you have taxable capital gains. Special working sheets are available for the Inland Revenue if this affects you.

Note

Tax credit relief is not always available, for example it is not available on dividend income from the Isle of Man. You should always check the position for any country from which you receive foreign income or gains, in case there are any limitations or special rules to observe. Ask your tax office or tax adviser. And from 17 March 1998, if you get a refund of some of the foreign tax on which you have already claimed relief, you have to notify the Inland Revenue who will claw back some of the relief.

Relevant deductions

The calculation of tax credit relief can be affected by tax relief you have claimed on payments such as personal pension contributions or charitable covenants. If any of the payments you have claimed under the ‘Reliefs’ section of TaxCalc relate specifically to, and depend upon the amount of, a particular item of foreign income, you should enter the amount of the payment as a ‘Relevant deduction’. An example might be personal pension contributions you make, on the basis of foreign earnings. If only part of the payment is related to the foreign income, you should enter only the relevant part.

Tax credit relief for foreign capital gains

In order to work out the taxable amount of any capital gains, you need to complete the ‘capital gains’ screens of TaxCalc. However, if you have paid foreign tax on this gain, and want to claim tax credit relief, you should also fill in this screen.

> Note
>
> TaxCalc does not currently work out the tax credit relief for foreign capital gains. You need to calculate this yourself, using the Inland Revenue Help Sheet *IR261 Tax credit relief and capital gains,* and enter the result in the appropriate column on this screen.

Amount of gain

Because different countries have different rules for determining the amount of a taxable capital gain, the amount taxable in the UK will often be different from that taxable in the foreign country. In this case, the amount of foreign tax for which you can claim tax credit relief is restricted in line with the part of the gain that is taxable in both the UK and the foreign country.

To find out the amount of gain taxable under UK rules, make sure that you have entered all the data for this gain in the ‘Capital gains’ screens. Then go to ‘Capital gains’ on the ‘Forms’ menu: the taxable gain to enter will be shown on page CG2 of this form.

To find out the amount of the gain taxable under foreign rules, you will need to consult either the tax authorities of the country concerned, or your own tax adviser. Enter the amount of the gain in sterling.

Period over which gain accrued

Because the tax rules of countries differ, the amount of the gain for tax purposes might be accrued over different periods in the UK and in the foreign country. You need to enter the period in days, for both the UK and the foreign country. You get relief for the foreign tax on only the part that is accrued over the same length of time as the UK tax.

Foreign tax

Enter here the amount in sterling of any foreign tax you have already paid on this gain. TaxCalc will take the foreign tax into account when deciding how much further UK tax is due. Note that you do not qualify for indexation allowance on the foreign amount.

There are two ways in which foreign tax can be taken into account in the calculation:

by simply deducting the foreign tax paid from the gain or loss on a particular asset

by claiming tax credit relief. This will normally result in the smallest tax bill but see Note above. And it won't work to your advantage if you would not have UK tax to pay on the gain, for example where a loss means that there is no UK tax against which the relief can be credited.

Tax credit relief

To avoid paying two lots of tax on your foreign gain, both overseas and in the UK, you can just deduct the foreign tax from the gain, and then work out your UK tax on the amount you are left with. However, claiming tax credit relief instead may result in a lower tax bill, because it provides relief if the foreign gain pushes you into a higher tax bracket.

Roughly speaking, to work out your tax credit relief, you work out:

the UK tax you would pay including the foreign gain

the UK tax on your income excluding the foreign gain.

The relief is the difference between the two or, if less, the amount of UK tax that would be payable on the foreign gain. If you have more than one foreign gain the relief has to be worked out separately for each, according to a strict order of priority.

TaxCalc assumes that in most cases it will be better to claim tax credit relief, and so the 'tax credit relief' button will remain ticked unless you click on it.

Amount of tax credit relief

Enter the amount of relief separately for each gain, calculated using Inland Revenue Help Sheet *IR261: Tax credit relief and capital gains*.

Properties which are let as 'furnished holiday lettings' are treated differently from other properties for tax purposes. Although they are not strictly speaking a trade, they are treated in some respects as if they were. For example, there are special rules which allow you to offset any loss arising from holiday lettings against your total income, and not just against other income from property. The following are the other main advantages under the special rules.

Capital allowances on furniture, furnishings etc in the let property can be claimed as well as capital allowances on machinery and plant used outside the property (such as vans and tools).

Capital gains tax reliefs such as roll-over relief and retirement relief are available.

Income from furnished holiday lettings entitles you to make contributions to a personal pension plan (unlike other types of rental income).

To qualify as a furnished holiday letting, the accommodation must be available for letting for at least 140 days in a twelve-month period. It must actually be let for 70 days and there must be a seven month period during which no one tenant occupies the place for more than 31 days consecutively.

Enter in this section the total income and expenditure arising from properties which qualify as holiday lettings.

Total income from furnished holiday lettings

Enter here the total income from furnished holiday lettings. If you provide services such as meals, laundry, gardening etc, any income you receive should be included here. If you own the property with someone else, see Jointly-owned property below for what to enter.

Expenses

You can deduct certain expenses from your income. A loan to buy or improve property which you let may also be deductible.

If only part of the property is let, or for only part of the year, you may be able to claim only whatever part of the expense is in line with the proportion of the letting. Enter the correct proportion of your expenses in the appropriate box.

Tax adjustments

To arrive at your 'taxable' income (or loss) from property, you need to make certain adjustments to the net profit or loss which arose during the tax year.

Private use

Private and personal expenses are not allowable. If you spend money on something which is only partly used in the renting of the property(ies) you own, and partly for your own private use you must either:

- put only the proportion of the expense which relates to the rental property under 'expenses', **or**
- put the whole amount of the expense in the 'expenses' section and also enter the proportion of the expense which relates to private use under 'tax adjustments'.

For example, you employ a gardener who works for three hours a week on your own garden at home and three hours a week maintaining the garden in a property on which you receive rental income. You could either claim 50 per cent of the wages you pay under 'expenses' or you can put 100 per cent of the wage bill into 'expenses' and 50 per cent under 'tax adjustments - private use'. It does not matter which method you choose as long as you only claim the expenses due to you for the rented property (or land).

Capital allowances and balancing charges

When you work out your profits from furnished holiday lettings, you must not deduct:

- the cost of buying, altering, building or installing or improving fixed assets (for example, property and machinery), or
- depreciation or any losses which arise when you sell them.

Instead you may be able to claim capital allowances. These reduce a profit or increase a loss. An adjustment, known as a balancing charge, may arise when you sell an item, give it away or stop using it. Balancing charges increase your profits or reduce your loss. For more information ask for Inland Revenue Help Sheet IR250 *Capital Allowances and Balancing Charges in a Rental Business*.

Losses

If you have made a loss from furnished holiday lettings in 1997-98, you have a choice of how to use it. You can use losses to reduce your overall tax liability in this tax year or, in some circumstances, your overall tax liability in earlier tax years; alternatively, you can set it against other profits from property and, if you have no such profits, carry it forward to set against the profits of future years. TaxCalc can show you the effect of the various options on your tax bill for 1997-98 - but because TaxCalc does not have data for earlier and future years, it cannot tell you which option will save you the most tax overall. If you are unsure how best to use your losses, it might be worth getting professional help from your tax adviser.

To see the effect of the various options:

Step 1
Make sure you have entered all your other data, but leave the 'Losses' section empty.

Step 2
Go to the Land and property supplementary sheet on the 'Forms' menu of TaxCalc. Box 5.15 on page L1 will show you the amount of allowable loss.

Step 3
Go back to the 'Losses' section of the 'Furnished holiday lets' screen and check below and IR Help Sheet *IR227: Losses* (available in the Help Sheets section of TaxCalc's help file) for the various choices open to you (although this covers businesses, the same rules apply to furnished holiday lettings). Then, enter your losses in the relevant boxes.

Step 4
Check the Tax Summary to see how this changes your tax bill. Now, if you have another option, go back to the **Furnished holiday lets** screen, and enter your losses in alternative boxes, to see how that affects your tax: and so on, until you feel you have enough information to choose an option.

Losses offset against total income

Enter here the amount of loss you want to offset against your total income from all sources in 1997-98 (as opposed to just against rental income). If the amount of loss is more than your total income, you can set the excess against any taxable capital gains for the year. To do this, go to the **Capital losses** screen in the Capital gains section of TaxCalc and enter the excess under 'Trading losses'.

Losses carried back

Enter here any loss you have made from letting land or property that you wish to offset against income and/or gains for an earlier tax year.

Losses offset against income from other property

If you have not used up your total losses from this type of letting against other income or capital gains (either in this tax year, or against an earlier year), you can offset the balance against income from other land and property. Enter the amount you want to offset against other rental income for the 1997-98 tax year in the box.

Jointly-owned property

If you own and let either holiday property or other types of land and property jointly with one or more people, you should include only your share of the income on the tax return. Also, put your share of the allowable expenses and losses etc, in the relevant sections. If you receive notice of your share after expenses have been deducted, enter your income share as normal but leave boxes in the 'expenses' section blank. Make sure you tick the relevant box about jointly-owned property in either **Furnished holiday lettings** or **Other property income**.

> **Note**
> You must also include the name and address of the person who has been nominated to keep records of the lettings in the 'Additional information' box on the **Other tax matters** screen in the Other information section.

Gift Aid is a tax relief for single cash gifts to charity of £250 or more. Like covenants, the gift is treated as having had basic-rate tax deducted before you pay it. Tax relief is given in a similar way as for covenants to charity.

Enter the name of the charity and the total payments you made to Gift Aid for 1997-98. **Do not include the tax treated as deducted - enter only the amount you actually paid.** TaxCalc will ‘gross up’ the payment during the tax calculation. TaxCalc will also take account of any additional higher-rate tax due.

Annual turnover
Business expenses
Main allowable business expenses

Income from employment
Income from self-employment
Partnership income
Income from savings & investments
Foreign income
Income from benefits
Income from pensions
Income from property
Other income

[Jobseekers' Allowance](#)
[Widowed mother's allowance](#)
[Invalid care allowance](#)
[SSP/SMP paid by DSS](#)
[Incapacity benefit](#)

Enter here any taxable social security benefits (which are those listed on the screen). Enter the total taxable amount you were entitled to in the tax year, not just the weekly rate - your benefit office will be able to tell you the amount.

Jobseekers' Allowance

The taxable amount to enter is what you received for yourself and your husband or wife (or someone who looks after your child). It does not include any extra payments for children, as these payments are tax-free. Your benefit office should have given you a statement of the total benefit paid and the taxable portion of this amount.

Widowed mother's allowance

Enter here the amount of any widowed mother's allowance you received. You should not include the £1,000 widow's payment (if you got it): this is tax-free. If you got widow's pension enter it on the **Pensions** screen in the Income section, not here. Do not include any amount given to you because you have a dependant child - this is tax free.

Invalid care allowance

This is a weekly benefit for people of working age who are caring for a severely disabled person. The taxable amount to enter is what you received for yourself and your husband or wife (or someone you live with as husband and wife). Do not enter any extra payments you get for children, as these payments are tax-free.

SSP and SMP paid by DSS

Statutory maternity pay and statutory sick pay are normally paid to you by your employer - if this is the case do not enter them here, put them with **Employment** section. However, if these benefits are paid to you direct by the DSS, enter them here.

Incapacity benefit

Only some payments of incapacity benefit are taxable. If you were receiving invalidity benefit before 13 April 1995 any incapacity benefit you receive is not taxable (unless there has been a break in your claim). If you were not receiving invalidity benefit before 13 April 1995 any incapacity benefit you receive after the 28th week of your incapacity is taxable. Your benefit office will work out the amount on which tax has to be paid and show it on form P45 (IB) if you stopped claiming during the tax year, or a form P60 (IB) if you are still claiming on 5 April 1998.

Enter the total taxable amount you received during 1997-98 and any tax already deducted (your benefit office should give you this information). Do not include any tax-free amount.

Dividends and other qualifying distributions from UK companies

Enter the name of the company and the amount of the dividend received for each company in which you own shares. This information should be on the tax vouchers sent with the dividend.

Dividends of this types come with a tax credit. If you are a lower-rate taxpayer or basic-rate taxpayer, the tax credit should cover the tax due on the shares. However, higher-rate taxpayers will have an extra 20 per cent to pay on the shares, and non-taxpayers will usually be able to claim tax back with some kinds of dividends. You do not need to enter the tax credit - TaxCalc will automatically calculate it for you and enter it in the correct place on the tax return.

Do not include any dividends from shares held in a PEP: these are tax-free. However, you should include other taxable amounts arising from your shares, for example, the 'qualifying distribution' which may arise if the company

sold you an asset at less than market value **or**

paid interest at more than a commercial rate on money you had loaned it.

> **Note**
> If you have included income from a qualifying distribution in your return give details of the circumstances in which the distribution arose under additional information. Use the 'Additional information' button on the **Other tax matters** screen under the Other information section.

If you are married

If you own shares jointly with your husband or wife, you should each enter half the dividends received, unless you have already elected for a different split.

Name of company

The tax return asks only for totals. However, TaxCalc needs a very brief reference for identification purposes. If you are using TaxCalc to keep records of individual accounts and amounts received, you might also find it helpful to enter the name of the company in this box. TaxCalc will automatically add up all the amounts entered and place the totals in the relevant boxes on the tax return. For a list of all the dividends and distributions you have entered, go to the Savings breakdown on the 'Tax' menu.

Scrip dividends from UK companies

A scrip dividend is one where you have chosen to take shares in lieu of cash. If so, the gross value of shares received is taxable. You get a notional tax credit, but you cannot claim a refund of this notional tax deducted even if you are a non-taxpayer.

Enter the name of the company from which you received a scrip dividend, the cash value of the scrip dividend received and the amount of any notional tax credit for this scrip dividend.

> **Note**
> Scrip dividends are also known as stock dividends.

Foreign income dividends from UK companies

These are a type of dividend which UK companies and unit trusts with earnings from overseas have been able to issue since 1 July 1994. They come with a notional tax credit, but you cannot claim a refund of this notional tax deducted even if you are a non-taxpayer.

Enter the name of the company from which you received foreign income dividends, the cash value of the foreign income dividend received and the amount of any notional tax credit for this foreign income dividend.

Non-qualifying distributions

These include:

- a bonus issue by a company of securities or redeemable shares (except a bonus issue giving rise to a qualifying distribution), or
- the paying on of such a bonus issue by a company which has itself received it.

If you receive such a bonus issue the taxable amount is the nominal value of the redeemable shares, or, for securities, the amount of the principal secured plus any premium payable. You can deduct any payment you may have made for that issue.

If you are a lower- or basic-rate taxpayer, tax will already have been taken into account and there will be no further tax to pay. If you pay tax at the higher rate, however, there will be a further 20 per cent to pay.

Enter the amount you received here. TaxCalc will automatically calculate the tax treated as already having been paid on this income.

Loans written off

If a loan made by a company has wholly or partly been written off, it may be taxable. If so, the amount written off is treated as a net amount of income received after deduction of tax at the lower rate. Enter the amount of the loan written off - TaxCalc will automatically calculate the tax treated as having been paid on this income.

General information

You need to fill in this section if:

- You work as an employee and earn a salary or wages, bonuses, commission, tips or taxable benefits, or belong to an approved profit-sharing scheme.
- You have left a job and received a lump sum payment.
- You work abroad but are liable for UK tax.
- You get directors' fees, or money from other offices you have held.

Complete all the screens (eg, including fringe benefits and expenses) relating to each job or directorship **before** you go on to the next job or directorship: TaxCalc will maintain a numbered list of jobs.

Warning
The Revenue's definition of an employee may be different from your own: see leaflet IR56/N139 *Employed or self-employed?* (included in the Leaflets section of the TaxCalc help file.

Employer

Enter the name of your employer here.

Note
You **must** enter your employer's name here or TaxCalc will not recognise the figures entered which relate to this employment. You must also give an employer's name of at least three letters, ie BT or CA will not do.

Address
Enter your employer's address here. Please enter your postcode in the box below.

PAYE Reference
Enter your employer's PAYE reference here. This will be found on your P60 or your payslip. If in doubt, check with your employer.

Date Started
Only enter this date if you started this employment **after** 6 April 1997.

Date Finished
Only enter this date if you left this employment **before** 5 April 1998.

If you were a director
Click the relevant box if, at any time during your employment with the company, you acted as a director. This affects how some fringe benefits are taxed.

If this was a close company
If you were a director and the company was a 'close' company, click this box. A close company is, broadly, one controlled by

- five or fewer participants, or
- any number of participants who are directors.

Participators are persons who have a share or interest in the income or capital of the company, such as the shareholders and certain loan creditors.

Gross Income
Enter the before-tax amount you were paid by this employer, including overtime, bonuses, statutory sick pay, maternity pay, taxable income from a profit-sharing scheme and taxable profit-related pay. You can ignore altogether any tax-free income, such as profit-related pay within the tax-free limits, which does not have to be entered on the tax return. Enter the amount actually received, even if you earned it in an earlier tax year or you have been paid for work not yet done. Most people can get the figures to enter from the form P60 which your employer should give you after the end of the tax year, or from the form P45 you get when you leave a job - but **see the** warning **below**.

Tax already deducted
Enter here any tax you have already paid under PAYE, ie tax deducted from your wages before you receive them. Your P60 or P45 will give you full details. If your P60 or P45 shows a tax refund for this job, enter the amount as a minus figure.

Payroll giving
You can get tax relief at your highest rate of tax on up to £1,200 a year that you give to charity directly from your pay via a payroll giving scheme (sometimes known as 'Give As You Earn'). The tax relief is given by deducting the contributions from your pay before the tax is worked out. **Do not enter anything in this box if payroll giving has already been taken**

into account under 'Gross Income' - see warning below.

Pension Contributions

If you contribute to an employer's pension scheme, you get tax relief on what you pay in - providing that the scheme is 'approved' by the Inland Revenue (nearly all are) or is statutory (eg for local authority and NHS schemes). The Inland Revenue limit on an employee's annual contributions is 15 per cent of before-tax earnings. If your scheme was set up after 31 May 1989, or you joined your present scheme after 1 June 1989, there's also a cash limit on contributions - £12,600 in the 1997-98 tax year. An employer's contributions count as a tax-free fringe benefit, so needn't be entered at all. **As with payroll giving donations, do not enter anything in this box if your pension contributions have already been taken into account by your employer when working out your gross income for your P60. See warning below.**

> **Warning**
> Any figures you put in the boxes entitled 'Payroll giving' and 'Pension contributions' will be deducted from the figure in 'Gross income' by TaxCalc both for the purposes of the tax return and for the tax calculation.
>
> If you have taken your 'Gross income' figure from your P60 or P45 you will have to be careful here. This is because most employers take into account any pension contributions you make and/or payroll giving you do when calculating your gross pay for your P60. So, if these items have already been taken into account by your employer leave the boxes entitled 'Pension contributions' and 'Payroll giving' blank. If you are unsure whether your P60 takes these payments into account check with your employer.

If you make contributions to a personal pension plan or to a free-standing additional voluntary contribution scheme (ie not your employer's scheme), do not enter the amount here - you will need to enter it later in the **Pension contributions** screen in the Reliefs section of TaxCalc.

Tips

Enter here any tips or gratuities you may have received in this employment but which are not already included in the figure for 'Gross income'.

Any other payments

Enter here any other money payments not included in the figure for 'Gross income'. Do not include lump sum payments, such as those received on redundancy or retirement - enter these on the **Lump sums** screen in the Employment section.

Profit-related pay

If part of your pay is linked to the profits made by the company you work for, you can get tax relief on your profit-related pay if the scheme meets certain Inland Revenue conditions. It must:

- be set up by a profit-making private sector employer
- run for at least one year and be open to at least 80 per cent of the workforce (a

PRP scheme may be set up for a department, say)

be registered with the Inland Revenue before it starts.

If these conditions are met, you can get tax relief on any profit-related pay you get up to the point where your PRP is £4,000 or 20 per cent of your total pay (whichever is less). Note that this level of tax relief will be reducing for profit periods beginning after 1 January 1998 and is set to disappear in the year 2000. You get the tax relief through the PAYE system. National Insurance contributions have to be paid on profit-related pay.

If you received any profit-related pay which is not tax-free, you should include it under 'Gross Income'.

Profit-sharing schemes

Under an approved profit-sharing scheme you can get shares in your employer's firm free of tax. The yearly limit is £3,000 worth of shares or ten per cent of your earnings, whichever is higher, with an overall limit of £8,000 worth of shares a year. To get approval, the scheme must meet various conditions. If you withdraw your shares from the trust in which they are held, within three years of getting them, there will be some tax to pay.

If you got a taxed (or taxable) sum from an approved profit-sharing scheme enter the taxable amount under 'Gross Income'. Taxable amounts from other share schemes should only be entered here if they have already been taxed under PAYE: otherwise, enter them in the Share schemes section of TaxCalc.

Include the tax deducted from your profit share when you enter details of the amount of tax paid on the earnings from this job - tax will usually have been deducted under PAYE along with tax due on your earnings.

Employer
Fringe benefits
Expenses
Lump sums
Work abroad
Share schemes

If you received income from the estate of someone who has died, give the details requested in the correct table.

The personal representatives of someone who has died (eg the executors, or administrators if there was no will) are liable to tax on any income received by the estate of the deceased person. The income they then pay out to you, if you are a beneficiary, has therefore already had some tax deducted, and this affects in which of the four tables on this screen the income should be entered. Where to enter the income also depends on whether you have a 'limited interest' or an 'absolute interest' in the residue of the estate. The residue is the amount remaining after the executors have paid or provided for all legacies and expenses of the estate.

You should receive a statement from the personal representatives saying how much tax, and of which kind, has been deducted. This will help you to decide where to enter the income. TaxCalc will then add this income to any other income you have within each category for the purposes of working out your tax bill. Also enter the name of the estate as additional information. Use the 'Additional information' button at the bottom of this screen.

You do not need to include specific legacies you were left. Any income or gains arising from such legacies should be entered in the appropriate income or gains screens, depending on the source, not here.

Limited interest

This means you only have an interest in income provided by the residue (not any capital). For example, you are a life tenant or a life-renter. If this applies to you, enter income received for 1997-98 liable to basic-rate and lower-rate tax in the boxes entitled 'income bearing basic-rate tax' and 'Income bearing lower-rate tax'. Which tax rate has been applied to which income should be identified on the statement prepared by the deceased's personal representatives.

Absolute interest

If you are a beneficiary who has an interest in both the income and the capital of the residue you must enter the income you received, but do not enter your share of the capital of the estate.

If you received payments in 1997-98 your income will either be the payments you actually received during the year, or the income you have been receiving since the income began (if this has not been taken into account in earlier years). The lower of these two amounts is the amount you must declare in this section.

The personal representatives will supply you with a statement showing the amount of income which should be included. The statement will show whether the income has been taxed at the basic or lower rate of tax and, if appropriate, whether the tax at either or both rates is not repayable. Enter the income in the relevant sections.

Foreign tax

If you received income from an estate which is chargeable to UK tax but which has also been taxed in a foreign country, you may be entitled to claim 'tax credit relief' for the foreign tax paid. If you wish to do this you must complete the 'Foreign' screens. As an alternative, you can claim to deduct the amount of foreign tax paid. Tax credit relief is usually the best option, but if you do not want to claim it, enter here any foreign tax you have paid on this type of income and TaxCalc will deduct it from your taxable income from this source.

If income from a foreign estate has already had borne some UK tax, you may need to adjust the figures you enter: see the Inland Revenue notes accompanying the Trusts etc. supplementary sheet.

> Note
>
> Income that was due to the deceased person during their lifetime but was paid after their death may end up being included as part of their estate for both inheritance tax and income tax purposes. If you are treated as having received income from an estate where this has happened, and you are a higher-rate taxpayer, you may be able to claim a special relief. Contact your tax office or tax adviser.

Full amount received

Deductions

'Lump sums' cover one-off payments you might receive from your employer, usually - but not necessarily - at the end of your employment, such as redundancy pay and ex-gratia payments on retirement. They do not include any tax-free lump sums from a Revenue-approved, statutory or foreign government pension scheme - you do not need to enter these anywhere on this screen. If you are a member of HM Forces, also leave out any terminal grant, gratuity or other lump sum paid to you under Royal Warrant, Queen's Order or Order in Council.

Warning
The taxation of lump sums can be very complex: various reliefs can be deducted from some lump sums, but not from others, depending on the part of tax law under which they fall. In working out your taxable income from lump sums, TaxCalc follows Inland Revenue Help Sheet IR204, *Lump sums and compensation payments*. The Inland Revenue wants to know about all lump sums, even if they are tax-free (apart from the tax-free pension lump sums mentioned above). So enter the whole amount you received in the boxes in the 'Full amount received' section: TaxCalc will work out the taxable amount for you, and enter the payments in the correct boxes on your tax return.

Full amounts received

Under 'Full amounts received', enter:

- any payments received under the terms of your employment.
- any payments from a non-approved retirement scheme (include any tax-free amounts, but also enter these under 'retirement/death lump sums' in the 'Deductions' section).
- other payments - ie redundancy payments made under the government’s redundancy payments scheme or a scheme approved by the Inland Revenue, pay in lieu of notice - provided it’s not in your contract - and any other lump sums received, so long as they are not for work done, not part of your conditions of service, and (technically at least) unexpected. The first £30,000 of these 'other payments' is tax-free, but TaxCalc will deduct £30,000 from the amounts entered here, so you should enter the full amount received.

Deductions

Enter the tax-free amount of any payments received under 'Deductions'. These are:

- any lump sum for a disability which meant you couldn't carry on your job (enter under 'disability payments'). However, don't include payments on retirement or death arising because of an injury - enter them under 'retirement/death lump sums' instead
- compensation for loss of a job done entirely or substantially outside the UK (under either full or partial foreign service exemption, as appropriate - see Inland Revenue

Help Sheet IR204 for how to calculate this)

lump sums from non-approved retirement benefit schemes which were funded either by your own contributions or by contributions from your employer on which you have already been taxed. **Remember, you do not need to enter lump sums from approved pension schemes anywhere on this screen.**

You do not need to enter the £30,000 tax-free portion of redundancy payments anywhere in the 'Deductions' section - TaxCalc deducts this automatically.

Note
Although any 'compensation for loss of office' above £30,000 is taxable in itself, it is ignored when working out what rate of tax you should pay on your savings income. TaxCalc takes this into account in working out your tax bill. Make sure that you use the 'lump sums' summaries on the 'Tax' menu, when you come to check the amount of tax payable.

Original order
Amount received
Claim exemption

Maintenance payments are tax-free and can be ignored unless they are paid under:

- a court order first made before 15 March 1988 (or applied for before 16 March and in place by 30 June 1988)
- a legally enforceable agreement first made before 15 March 1988 and in place by 30 June 1988
- a court order, legal agreement or Child Support Agency assessment which replaces or varies one of the orders or agreements above.

Payments made to a child who reached 21 after 5 April 1994 are tax-free and can also be ignored.

If the agreement was made before the relevant date in 1988, the maintenance is taxable and you should complete this section. But you probably will not have to pay tax on the whole lot because:

- The amount of taxable maintenance is pegged forever to the amount on which you were charged tax in 1988-89 - any increases above that amount are tax-free.
- If you are an ex-spouse who has not remarried, the first £1,830 of your maintenance is tax-free anyway. So you will only pay any tax if the amount you received in 1988-89 was more than £1,830.

Note that the person who pays you the maintenance can opt to move the payments to the 'new rules' applying for post-March 1988 payments. If so, all the payments are tax-free and need not be entered here at all.

For more information, see Inland Revenue leaflet IR93, *Separation, divorce & maintenance payments*. The full text of this leaflet is available in TaxCalc's Leaflets section.

Original order

Enter the date of the original legal order or agreement under which this maintenance is received. This is not needed for the tax return, but TaxCalc requires a reference for identification purposes.

Amount received

Enter the gross amount received in the 1988-89 tax year and/or the gross amount received under the same order or agreement (or one replacing it) in the 1997-98 tax year.

Claim exemption

The exemption referred to is the £1,830 of maintenance received which is tax-free for an ex-spouse who has not remarried. You do not qualify for the exemption in other circumstances, for example if you receive maintenance from a parent. Click here if you qualify for the exemption: TaxCalc will take it into account in the calculations and enter the appropriate figure in tax return. Note that the figure appearing in your tax return printout may be less than £1,830 if your taxable maintenance income was smaller than the exemption.

[State pension](#)
[Widow's pension](#)
[Industrial death benefit pension](#)
[FSAVC/AVC surplus repayment](#)
[Other pensions and retirement annuities:](#)
- [- Name and address of payer](#)
- [- Tax deducted/net amount](#)
- [- Exemption/deduction](#)

Enter here any taxable pension income received - ignore tax-free pension income such as the lump sum from an employer's scheme.

State retirement pension

Enter here your state retirement pension (including the age addition if over 80), graduated pension, SERPS pension (from the State Earnings Related Pension Scheme). Also include here any incapacity addition or addition for a dependant adult and any increases paid by the DSS due to an upgrade on a guaranteed minimum pension.

Do not include the £10 Christmas bonus, or attendance allowance, neither of which is taxable.

> **Note**
> A married woman's pension counts as her own income, even if it is based on her husband's contributions. However, any adult dependency addition a husband gets with his pension while his wife is under 60 counts, for income tax purposes, as his income.

Widow's pension

Enter the full amount of widow's pension to which you were entitled during 1997-98, including any earnings related additional pension. If you are unsure of exactly how much you received, ask for a statement from your local DSS office.

Industrial death benefit pension

This benefit has not been available to new claimants since 1988, but if you are still getting it, it is taxable. Enter the annual pension to which you are entitled but do not include Industrial Death Benefit Child Allowance if you get it - this is tax free.

FSAVC/AVC surplus repayment

If, when you retire, you find that your AVCs have taken you over the Inland Revenue limits on pension benefits, you can get back the excess funds after tax has been deducted by your pension provider. You cannot reclaim this tax, however, if you are a lower- or basic-rate taxpayer there is no further tax to pay. Enter the amount you actually receive from your pension provider in the box, and the notional tax deducted. Your certificate from your pension provider will give this information.

If you are a higher-rate taxpayer there will be extra tax due on this type of payment. TaxCalc will take this into account. Note, though, that special calculations have to be applied which mean that when you come to look at TaxCalc's workings, you should consult the special 'lump sums' detailed summaries on the 'Tax' menu (refunded AVCs are categorised with 'lump sums' for calculation purposes).

Other pensions and retirement annuities

Enter in this table any other pensions you receive, for example from an ex-employer, a personal pension plan or retirement annuity contract.

Name and address of payer

Enter the name of the company which pays the pension to you. This is not required for the tax return but TaxCalc needs a brief reference for identification purposes. You may also find it useful for your own records, especially if you receive a pension from more than one provider. TaxCalc will automatically add all the pension income together.

Tax deducted/net amount

Enter here the amount you received in respect of each pension, plus the tax deducted (for example, any tax deducted under the PAYE system) and the gross amount payable to you. If you receive a pension that is exempt from tax, you may not be taxed on the whole amount, see 'Overseas service deduction' below.

Exemption/deduction

Some pensions may be exempt from tax altogether or qualify for a 10 per cent deduction. If so, you should still enter in the table the total amounts received. However, you should also enter the amount of the exemption or deduction in the 'Exemption/deduction' box and TaxCalc will deduct this from your taxable income.

Exemption

If you are a former employee who has been awarded a pension on retirement because you were disabled by injury on duty or have a work-related illness, and if that pension is more than you would have been given had you retired at the same time on ordinary ill-health grounds, then the extra is exempt from income tax. Do not enter any tax-free amounts in the tax return, unless you also qualify for the 10 per cent deduction below: in this case, enter the full pension received in the 'Other pensions' table and include the tax-free amount in the 'Exemption/deduction' box.

Deduction

Pensions from an overseas employer or pension fund qualify for a ten per cent deduction so that only 90 per cent of the pension is liable to UK income tax. These pensions should be entered in the 'Foreign' section, not here, but some UK pensions for service to an overseas government also qualify for this deduction. In this case, enter the deduction here. To qualify for this deduction these UK pensions have to be paid by or through any public department, officer or agent of the government of the overseas territory and be paid to:

- a person who has been employed in the service of the Crown or in service under the government of the territory, **or**
- their widow/widower, child, relative or dependants.

The territories concerned are:

any country forming part of Her Majesty's dominions
any Commonwealth country (other than the UK)
any territory under Her Majesty's protection.

Enter the tax-free amount in the 'Exemption/deduction' box.

Furnished holiday lets
Other property income

Income from trusts

If you have an absolute right to income of a trust fund, enter the income to which you are entitled. Enter the exact amount you received from the trustees and also enter the tax deducted by the trustees, as shown on the certificate from the trust.

> **Note**
> You should enter on this screen only income which is received after deduction of tax. Income received before-tax should be entered on the screen relating to the source of income, e.g. the property screens if the income came from property.

Do not include here income from a foreign trust. This should go on the foreign screens. Nor should you include in this section any scrip dividends or foreign income dividends from UK companies, UK authorised unit trusts or open-ended investment companies (OEICs) - even if they are paid to you from the trust after deduction from tax. Include these with other investments of this type in the Savings and Investments section of TaxCalc.

Beneficiaries receive income from trusts which is treated as net of at least some tax, because the trust has already paid some tax. How much tax is deducted varies - it is 34 per cent if income is received from a discretionary trust ('the rate applicable for trusts'), 20 per cent if it is income from savings and investments, 23 per cent in other cases. You can reclaim this tax if you are due to pay less than has been deducted, but may have to pay more if you are a higher-rate taxpayer. TaxCalc will work this out for you. Enter the amount received and the tax deducted and, if you received savings and investment income taxed at 20 per cent, enter this in the section entitled 'Income taxed at lower rate'.

Income from settlements

If you have set up a trust, covenant or agreement to pay someone else an income or to hand over capital, part (or all) of the amounts involved will continue to count as your income - on which you have to pay tax - in certain situations. The main situations are:

- The settlement is a covenant to charity for a period which cannot exceed three years.
- Capital or income from the settlement benefits your own unmarried child or stepchild and the child is under 18.
- Assets you have given outright to your unmarried child or stepchild under 18

produce income of more than £100.

You or your husband or wife can at any time benefit from the income or capital of the settlement.

This income should also be entered in this section. For the amount which you should enter see Inland Revenue Help Sheet IR270 *Trusts and settlements - income treated as settlor's.*

Name of trust/settlement

Enter a reference for the trust or settlement. This is not needed for the tax return, but TaxCalc needs a brief reference for identification purposes.

Taxed at the basic rate or the rate applicable to trusts

Enter here any income which has attracted tax at the basic rate (23 per cent) or at the rate applicable to trusts (34 per cent).

Taxed at lower rate

Enter here any income which has attracted tax at the lower rate of 20 per cent (i.e. income from savings or investments).

Tax deducted

Enter the amount of tax deducted from the trust/settlement income.

Income received

Enter the amount actually received from the trust/settlement.

Taxable amount

This should be shown on the tax voucher received from the trustees (if you are a beneficiary). If you are a trustee see Inland Revenue Help Sheet IR270 *Trusts and settlements - income treated as settlor's.*

Foreign tax

If you received income from trusts and estates which is chargeable to UK tax but which has also been taxed in a foreign country, you may be entitled to claim 'tax credit relief' for the foreign tax paid. If you wish to do this you must complete the Foreign screens. As an alternative, you can claim to deduct the amount of foreign tax paid. Tax credit relief is usually the best option, but if you do not want to claim it, enter here any foreign tax you have paid on this type of income and TaxCalc will deduct it from your taxable income from this source.

> Note
>
> If the income of the trustees includes a non-qualifying distribution special rules apply which are not covered by TaxCalc. Check with your tax office or tax adviser whether you are affected.

Dividend distributions from UK unit trusts/OEICs

The income from unit trusts is often called a 'distribution'. 'OEICs' stands for 'Open-Ended Investment Company', a new type of investment scheme. Both are taxed in the same way: the income you receive is accompanied by a 'tax credit'. If you are a non-taxpayer, lower-rate taxpayer or basic-rate taxpayer, the tax credit should cover the tax due. However, higher-rate taxpayers will have extra tax to pay, and non-taxpayers will usually be able to claim tax back with most kinds of unit trust income. You do not need to enter the tax credit - TaxCalc will automatically calculate it for you and enter it in the correct place on the tax return.

Do not include income from unit trusts held in a PEP: this is tax-free.

If you are married

If you own shares jointly with your husband or wife, you should each enter half the dividends received, unless you have already elected for a different split.

Name of unit trust

The tax return asks only for totals. However, TaxCalc needs a very brief reference for identification purposes. If you are using TaxCalc to keep records of individual accounts and amounts received, you might also find it helpful to enter the name of the unit trust in this box. TaxCalc will automatically add up all the amounts entered and place the totals in the relevant boxes on the tax return. For a list of all the dividends and distributions you have entered, go to the Savings breakdown on the 'Tax' menu.

Foreign income dividends

These are a type of dividend which UK companies and unit trusts with earnings from overseas have been able to issue since 1 July 1994. Do not enter here income from overseas unit trusts or funds. They come with a notional tax credit, but you cannot claim a refund of this notional tax deducted even if you are a non-taxpayer.

Enter the name of the unit trust from which you received foreign income, the cash value of the income received and the amount of notional tax deducted from this foreign income unit trust.

Interest income

Unit trusts which invest in interest-producing assets, such as British Government stocks, can choose to issue an 'interest' distribution. This is treated like interest and has tax deducted at the lower rate. Investors receive a lower-rate tax credit and non-taxpayers can claim all the tax deducted. Higher-rate taxpayers have extra tax to pay on the grossed-up distribution.

You will not get an interest distribution if you hold unit trusts invested only in shares.

Enter the name of the unit trust from which you received interest income, the income received and the amount of any tax credit for this interest bearing unit trust.

Foreign earnings not taxable in the UK
Foreign earnings deduction
Foreign tax for which tax credit relief not claimed

Broadly speaking, if you are resident or ordinarily resident in the UK, you are liable to UK tax system on foreign earnings, even if your permanent home (your 'domicile') is elsewhere. However, there are a few situations in which your foreign earnings can be tax-free.

So that TaxCalc can complete your tax return correctly, you must enter all your foreign earnings in the 'gross income' box on the **Employment Details** screen, even if you know that they are tax-free. Any tax-free amounts should also be entered in the relevant boxes on this Work abroad screen: TaxCalc will deduct these from your gross income from employment in order to work out your tax liability.

Foreign earnings not taxable in the UK

You should enter here any foreign earnings in relation to which you are claiming to be non-resident in the UK. Note that if you are making a non-residence claim, you should also complete the Non-residence supplementary pages of the tax return (or the income should relate to a previous year in which you claimed to be non-resident, or to a future year in which you think you will make such a claim). We have included these pages for you to print out and complete manually if you wish, but TaxCalc cannot deal with this type of foreign income at present.

You can also enter here any foreign earnings which you received abroad but which you could not bring to the UK because of exchange controls or a shortage of foreign currency in that country - these earnings are only taxed when you are eventually free to bring them back to the UK.

Foreign earnings deduction

If you have worked outside the UK because of your job, your earnings from work done abroad may qualify for a 100 per cent deduction - ie there will be no UK tax to pay. You only need to complete this section if you want to claim the 100 per cent foreign earnings deduction - but note that it applies only to income received up to 17 March 1998.

Whether you qualify for the deduction depends broadly on how long you spent abroad, how long you spent in the UK and where the tax inspector thinks you live for tax purposes. The rules are complex but you must have been away for a ‘continuous period’ of 365 days or more (not necessarily coinciding with the tax year). This period can include short visits back to the UK, providing they are for no more than 62 days or one-sixth of the days in a 'qualifying period'. For how to work out whether you have met the requirements, see Inland Revenue leaflet IR58 *Going to work abroad?* and Help Sheet IR205, *Foreign earnings deductions*. There are more generous rules for seafarers, described in the alternative Help Sheet IR205(S) *Foreign earnings deductions: Seafarers.*

> Warning
> The abolition of the foreign earnings deduction was announced in the Spring 1998 Budget, although it will continue for seafarers. For other overseas workers, the

deduction will no longer apply to earnings received on or after 17 March 1998, although if you are halfway through a qualifying period you can continue to meet the 'qualifying period' rules so that earnings before that date are tax-free. However, at the time of this edition of TaxCalc, detailed regulations for the changes were not available so if you are affected it is worth getting advice from your tax office or tax adviser.

Foreign tax for which tax credit relief is not claimed

If you cannot claim tax-free status for your foreign earnings, but have paid foreign tax on them, there are special reliefs which prevent you paying both UK and overseas tax. In most cases, tax credit relief is the best form of tax relief: to claim this, you must complete the **Entered elsewhere** screens in the Foreign section of TaxCalc. However, you can instead claim to deduct the amount of foreign tax from your taxable income. If you want to do this, enter the amount of foreign tax here.

Enter any interest received or credited in 1997-98. This information should be on any statements or vouchers you receive.

UK bank and building society interest

Enter the name of the bank, building society or other deposit taker with which the account is held. Enter the amount credited to the account in the 1997-98 tax year. This information should be on any statements you receive, otherwise contact the bank or building society.

Interest of this kind is paid out after deduction of tax at the basic rate unless:

- you are a non-taxpayer and have registered to receive interest gross, or
- the interest is paid on certificates of deposit (including 'paperless' certificates) and sterling or foreign currency time deposits, providing the loan is not less than £50,000 and is repayable within five years
- the account is at the non-UK branch of a UK bank or building society
- the account is held by someone who is not ordinarily resident in the UK and has provided a declaration to that effect.

If you received bank or building society interest after tax had already been deducted, you need only enter the amount you actually received (the interest after tax). TaxCalc will automatically work out the other amounts needed from this one figure, and enter the interest in the appropriate boxes in the tax return.

If you received bank or building society interest before deduction of tax, remember to enter it in the 'Gross' table.

Name of bank/building society & account reference

The tax return asks only for totals. However, TaxCalc needs a very brief reference for identification purposes. If you are using TaxCalc to keep records of individual accounts and amounts received, you might also find it helpful to enter the name of the savings institution and the account reference in these boxes. TaxCalc will automatically add up all the interest received and tax deducted from the relevant sections and place the totals in the relevant boxes on the tax return. For a list of all the interest you have entered, go to the Savings breakdown on the 'Tax' menu.

Tip

If you received interest that was paid without tax deducted, started before 6 April 1994 and ceased in the year ended 5 April 1997, you were affected by transitional rules on the introduction to self-assessment. The 1996-97 tax return asked you to enter half the interest received between 5 April 1995 and 6 April 1996 - but, in the final year of receiving interest of this sort, you should have been taxed on the actual amount received. This means that you may have paid too much tax. If this affects you, enter the source of interest, the amount received and the date it stopped in the 'Additional information' section on the **Other tax matters** screen in the Other information section, and your tax office will check your 1996-97 tax bill.

If you closed a gross-paying account in 1997-98

This only affects you if you received interest from the account before 1994. Under the rules which applied before self-assessment, your tax bill was based on the previous year's interest. If you closed an account, and the amount received in the final year was more than the amount on which you were taxed in the previous year, then the taxable amount for the previous year would need increasing to the actual amount received in that year. If this applies to you, enter the amount received in 1997-98 in the screen (as usual) and enter the date you closed the account, and the 1996-97 amount of interest, in the 'Additional Information' section on the **Other tax matters** screen in the Other information section.

If you are married

If you have a joint account with your husband or wife, enter half the income paid out by the account, unless you have already elected for a different split.

Taxable profits on life insurance policies are called 'chargeable event gains' in tax-speak, but for tax purposes they are treated as income. Note that if you have gains of this type, special tax rules for 'lump sums' come into play. This means that when you come to check TaxCalc's working of your tax bill, it is essential that you look at the 'lump sums' detailed summaries on the 'Tax' menu.

Non-taxable gains

Any gain you make from most ten-year (or more) regular premium life insurance policies does not count as taxable if you have kept the policy going for at least ten years (or three-quarters of the term if less).

You also get a tax-free allowance for each complete year that the policy has run (five per cent of the premium is the current allowance). If you do not use this allowance one year you can roll it over to the next, so a policy which had run for three complete years would have accumulated a 15 per cent tax-free allowance. If you do draw more than your tax-free allowance this part will be taxable, ie a 'chargeable event gain', the insurance company will tell you how much of the gain is taxable.

You do not need to enter any gains received from life insurance policies that are treated as non-taxable.

Gains with notional tax

Virtually all taxable insurance gains fall within this category (the insurance company should make this clear to you, for example if you received a 'chargeable event' certificate). Life insurance funds pay tax, and because of this, policyholders are regarded as already having paid 'notional' tax equivalent to 23 per cent of the taxable gain. TaxCalc will automatically work out the notional tax for you and enter it in the appropriate box in the tax return.

If you are a lower- or basic-rate taxpayer there will be no further tax to pay on your gains. However, you cannot claim back the tax, even if it is more than you would be liable to pay. If you are a higher-rate taxpayer there will be further tax to pay of 17 per cent (40% - 23%) of the gain. TaxCalc will take this into account.

Top-slicing relief

A special type of tax relief (called top-slicing relief) can operate on taxable life insurance gains to reduce the amount of higher-rate tax which may be due.

It works, broadly, by spreading the gain over the lifetime of the policy (or over the number of years since the last chargeable gain took place).TaxCalc automatically works out whether top-slicing relief will save you tax and enters it in the correct place on the tax return - if you run Tax Saver, TaxCalc will tell you whether you should claim top-slicing relief.

Duration

So that TaxCalc can correctly work out the top-slicing relief on any tax bill, you need to enter the number of years over which the taxable gain should be spread. Enter the number of **complete** years since you took out the policy (look at the policy commencement date), or the number of complete years since the last chargeable gain took place (eg if in one year you drew more than your tax-free allowance).

Gains without notional tax

A few gains are not treated as having suffered basic-rate tax - these are the exceptions and include:

- a friendly society policy written as part of a tax-exempt business
- certain life annuity policies.

Enter these gains in the box entitled 'Life insurance gains without notional tax'.

TaxCalc will apply tax to any gains entered here at your highest rate.

Deficiency relief

Very occasionally a relief may be due when a life assurance policy, life annuity contract or capital redemption policy comes to an end. If you have withdrawn benefits during its term, relief may be due. This is not a relief for a 'loss' but a relief to ensure that the total amount treated as investment income is never more than the total gain made under the policy or contract. If you are unsure if this relief applies to you, check with your tax office or the insurance company who provided the policy or contract.

For more information on life insurance policy gains see Inland Revenue Help Sheet IR320, *Gains on UK Life Insurance Policies*. Note that if you qualify for this relief, it can only be set off against gains on other taxable life insurance gains. TaxCalc does not currently take this into account.

More than one policy/gain

If you received a chargeable gain from more than one life insurance policy enter the details of each policy in this section.

> **Note**
> As requested by the Inland Revenue, also enter under 'Additional information' on the **Other tax matters** screen in the Other information section of TaxCalc, the amount of the gain, the notional tax and the number of years for each policy.

If the gains you have received are from a 'cluster' of policies (ie, identical policies and identical gains), treat them as **one gain** for the purposes of the tax return and enter the total here.

If you are letting furnished property, you can deduct the loan interest from your rental income as a business expense. If so, enter it as an expense under 'Finance charges including interest'.

You cannot get this sort of relief if you are already getting mortgage interest relief because this is your only or main home. However, you may be able to choose which sort of relief you prefer - contact your tax office. Since mortgage interest relief is available at only 15 per cent on the first £30,000 borrowed (10 per cent from 6 April 1998), setting the whole interest against rental income will be preferable unless you do not have much taxable rental income.

> **Warning**
> You get the tax relief by setting the interest against the income you receive from letting the property. If the loan interest is more than the rental income, you cannot use the excess interest to reduce your tax on other sorts of income, however, this would count as a loss which could be set against rental income from other years.

If you have made a loss from this business in 1997-98, you have a choice of how to use it. You can use losses to reduce your overall tax liability in this tax year; your future profits from this business; or even, in some circumstances, your overall tax liability in earlier tax years. TaxCalc can show you the effect of the various options on your tax bill for 1997-98 - but because TaxCalc does not have data for earlier and future years, it cannot tell you which option will save you the most tax overall. If you are unsure you best to use your losses, it might be worth getting professional help from your tax adviser.

To see the effect of the various options:

Step 1
Make sure you have entered all your other data, but leave the 'Losses screen' empty.

Step 2
Go to the Self-employment supplementary page for this business (on the 'Forms' menu of TaxCalc). Box 3.80 on page SE3 will show you the amount of allowable loss it has worked out for the business.

Step 3
Go back to the 'Losses' screen for this business and check IR Help Sheet *IR227: Losses* (available in the Help Sheets section of TaxCalc's help file) for the various choices open to you. Then, enter your losses in the relevant boxes.

Step 4
Check the Tax Summary (on the 'Tax' menu) to see how this changes your tax bill. Now, if you have another option, go back to the 'Losses' screen, and enter your losses in alternative boxes, to see how that affects your tax: and so on, until you feel you have enough information to choose an option.

> **Warning**
> You do not have to claim your loss immediately. You can wait, and tell the Revenue your choice later, by letter. But you must claim your loss by 31 January 2000 (31 January 2004 if carrrying losses made in 1997-98 forward to future years), otherwise you will lose them. Where your loss can be claimed against more than one category of income, and is sufficiently large, you can choose the order in which it is set against the various categories of income, but the whole of that category of income must be reduced to zero before you claim relief against another category. Inland Revenue Help Sheet *IR227: Losses* includes a working sheet which shows how you can set off your losses.

Loss offset against other income for 1997-98

If you want to offset part of any loss made in 1997-98 against other income, enter the amount here. TaxCalc will deduct this amount from your overall tax liability. If the loss is more than is needed to reduce your other income to zero, and you have taxable capital gains, you can offset part or all of the excess loss against the gain. To do this, enter the excess in the 'Trading losses' box on the **Gains/losses** screen in the Capital gains section of TaxCalc.

Loss to carry back

You can claim relief for your loss against your income from any source in 1996-97. You can carry back losses to an earlier year only if:

> *either* your business is in its first four years of tax assessment (i.e. it started up after 5 April 1994)
>
> *or* your business ceased in 1997-98 (in which case you can set the loss only against earlier profits from the same business).

If you want to take this option, enter the amount of loss here. If you have already claimed to offset this loss you should still include it here, and provide details in additional information, using the 'Additional information' button on the **Business details** screen.

TaxCalc will ignore any amount entered here for the purposes of calculating your 1997-98 tax liability.

Loss to carry forward

Enter here any part of the losses sustained during 1997-98 which you wish to carry forward to set against profits of future years.

TaxCalc will ignore any amount entered here for the purpose of calculating your 1997-98 tax liability.

Losses brought forward from last year

Enter here any losses you made in a previous year which you have already claimed to carry forward and have not already used. Any amount entered here will be deducted from your net profit figure. Note that losses brought forward can only be set against profits from the same trade: they cannot be set against income from other sources or capital gains. So if your losses brought forward are more than you need to reduce your 1997-98 net profits from this business to zero, remember to enter the unused amount in the 'losses to carry forward' box.

TaxCalc bases its calculations on the 'tax calculation working sheets' used by the Inland Revenue. The basic working sheet is sent out with the tax return, but there are alternative versions for people in various circumstances. TaxCalc uses the right one for you, depending on what you enter, and for ease of comparison the reports it gives you are laid out like the Inland Revenue working sheets, using the same box reference system but omitting some of the shading and detail for ease of printing. (If a box is omitted from the numbering, this is because it refers to something not handled by TaxCalc, for example, foreign income received by partnerships.)

We recommend that you have a copy of the appropriate Inland Revenue working sheet to hand for reference (copies are available from the Inland Revenue Orderline, Tel: 0645 000 404, e-mail: saorderline.ir@gtnet.gov.uk). The notes accompanying the working sheets also give useful explanations of how the tax is worked out.

Which version of the summary?

Use the standard detailed summary only if none of the following apply. Otherwise, use:

- the 'lump sums' summary if you have taxable life insurance gains, refunded AVCs, or taxable redundancy or compensation on leaving a job. Also use this summary if you have received income (which has had basic-rate notional tax deducted) from the estate of someone who has died, e.g. taxable life insurance proceeds
- the 'capital gains' summary if you have taxable capital gains
- the 'lump sums' and 'capital gains' summary if you have both 'lump sums' (as defined above) *and* taxable capital gains.

Introduction

Working out your tax is particularly complex if, in 1997-98, you received:

- a taxable lump sum on leaving a job, or
- a refund of surplus contributions to an AVC scheme, or
- a taxable gain on a life insurance policy which has a basic-rate notional tax credit (virtually all do).

These one-off lump sums can push the rest of your income into a higher tax band. A further complication is that you pay tax on insurance gains at a minimum of 23 per cent, even if you are a non-taxpayer or lower-rate taxpayer.

The calculation sorts out an order of priority in which the various types of income should be set against your allowances and tax bands, in order to make best use of them. Boxes L29, L32, L35 and L40 are all sub-totals of the various kinds of income - broad headings of the types of income are shown in the left-hand margin, but see the Inland Revenue working sheet for details.

Page 1

Total income

This first page covers all the taxable income you have entered (minus any allowable expenses from employment or self-employment). Tax-free income is ignored. Note that the figure for employment includes the taxable value of any taxable fringe benefits or expenses from your employer, such as a company car. If you want to see how TaxCalc has worked out the tax on your company car, see the Company car breakdown on the 'Tax' menu, and for a list of the taxable investments you have entered, see the Savings breakdown on the same menu. For most other types of income, you can see the underlying calculations by going to the appropriate supplementary sheet on the 'Forms' menu.

Deductions

Here you will see only the outgoings on which you get full tax relief. You will not see outgoings on which you get only restricted tax relief, such as mortgage interest, or most types of maintenance - these appear on page 4 as 'Allowances & reliefs given in terms of tax'. However, you will see an entry at 'Maintenance' if you pay maintenance of more than £1,830 under the old rules - in this case, you will still get full tax relief on the excess above £1,830, and this is what you will see here.

Your total income less deductions is the basis for all the calculations which follow.

Page 2

This page carries out some of the preliminary calculations needed in order to work out your tax.

Pension/training payments made net

If you're an employee and pay net contributions to a personal pension or free-standing AVC scheme, or vocational training fees, you normally deduct basic-rate tax before making the payment. Yet the before-tax (gross) amount has already been deducted from your total income on page 1. So, to stop you getting two lots of tax relief, any relevant payments are sub-totalled here and added back in to the lower- and basic-rate calculations at box L24.

Allowances given as a deduction from your income

Shown here are those allowances on which you get tax relief at your top rate of tax. They are valuable because they also reduce your taxable income for the purposes of deciding what top rate of tax you pay. This section sub-totals the allowances to which you are entitled: they are deducted from your income at box L26.

If you have told TaxCalc that your spouse has blind person's allowance which they cannot use, and which they wish to transfer to you, this will also be shown here.

Transitional allowance will only apply if you are a married woman and your husband's low income meant that you lost out when independent taxation for married couples was introduced in the 1990-91 tax year.

Income for the purposes of basic-rate tax

This section calculates the amount of income you have above the lower-rate limit (£4,100). It excludes savings income (on which no basic-rate tax is due) and taxable life insurance gains (which are treated separately at L45). If part of your income falls within the lower-rate band, and part in the basic-rate band, it makes a further calculation to work out the most beneficial order in which the various types of income should be pushed into the basic-rate band. (See the notes to the Inland Revenue tax calculation guide for more information.)

Page 3

This page is the core tax calculation. It shows how the various types of income are set off against your tax allowances and tax bands in the way that should make best use of them and then calculates the income tax due so far. However, you can deduct various kinds of tax relief from this income tax figure - covered on Page 4.

Extra tax on savings income

If you are a higher-rate taxpayer, you should pay 40 per cent tax on this income. However, because it is excluded from the basic-rate tax calculation, so far only 20+17=37 per cent tax has been charged on it. This section takes your savings income (or the amount of income within the higher-rate band, if less) and charges an extra 3 per cent on it at L59.

Page 4

This page takes into account various tax reliefs and allowances. It also calculates any Class 4 National Insurance contributions you might have to pay on profits from a business.

Top-slicing relief

This is a special tax relief you may get if taxable insurance gains are pushing you into the higher-rate tax bracket. Broadly speaking, the relief works by spreading your gain over the years that the policy has run. The average gain each year is worked out by dividing the taxable amount by the number of complete years the policy has run. Higher-rate tax on the average gain is calculated, and then multiplied by the number of complete years. This higher-rate tax figure is then compared with the higher-rate tax due on the full gain before averaging, and the difference (broadly speaking) is your top-slicing relief, deducted from your tax bill. The Inland Revenue working sheet gives more information on how the relief is calculated.

VCT & EIS subscriptions

This shows the 20 per cent tax relief you are entitled to on any qualifying contributions to venture capital trusts or Enterprise Investment Schemes. The tax relief is deducted from the amount of income tax due, so you do not benefit fully unless your tax so far is at least as high as the relief due.

Allowances and reliefs given in terms of tax

These are allowances and outgoings on which you get restricted tax relief at 15 per cent.

Instead of deducting the full value of the allowance or payment from your total income, as with other allowances, the tax relief is deducted from the income tax due at L65. This means that you do not benefit fully unless your tax so far is at least as high as the relief due.

Married couple's allowance can be transferred from your spouse if he or she cannot make full use of it. The amount will be shown here, if you entered it in the allowances section (your spouse should run TaxSaver in his or her TaxCalc file to see if there is surplus to be transferred).

Notional tax

This covers those types of dividends and unit trusts which come with 'notional tax' deducted, and also life insurance proceeds which are treated as having had 23 per cent tax deducted. Notional tax counts as tax paid but cannot be reclaimed, even by non-taxpayers, so the amount is deducted from the income tax due here. This means that you do not benefit fully unless your tax bill is at least as high as the relief due.

Tax credit relief

There are two types of tax credit relief which may appear here. These are tax credit relief on foreign income and, if you received taxable share incentives, tax credit relief for any tax deducted by your employer under the PAYE system.

Recoverable tax on charitable covenants etc

If you give to charity through one of these methods, you have already given yourself basic-rate tax relief by deducting 23 'per cent from your payments. Adding it back here means that you do not get two lots of tax relief (and it also claws back the tax relief from non-taxpayers).

Page 5

This page takes your income tax for the year, and then deducts any tax already paid in order to find out how much you actually owe the Revenue. It also makes adjustments for things such as tax refunds already received, or tax outstanding from earlier years. For this reason, it is important that you enter all these figures in the 'Other information' section of TaxCalc.

Unpaid tax for earlier years included in 1997-98 PAYE code

Your PAYE code for 1997-98 may have been used to collect tax still owing from a previous tax year. If so, the amount relating to previous years does not reduce the amount of tax you owe for 1997-98, and has to be added back in here.

Tax paid at source

This sub-totals all the tax you have entered as having been deducted at source, eg as PAYE from your job, or through tax deducted from savings income before it was paid out (but not payments on account, which are dealt with at L82). The total is deducted from your tax for the year.

Tax due for 1997-98 included in 1998-99 PAYE code

Your tax office may already have decided that some of the tax you owe can be collected through PAYE in 1998-99 (you can find this figure from the PAYE Coding Notice, usually received in about January each year). In this case, TaxCalc deducts from your tax bill the figure shown here.

Payments already made

Any payments on account you have already made (eg in January 1998) will be shown here and deducted from the amount due.

Payments on account

Under the new system of self-assessment, you may have to pay your tax in instalments if you are self-employed, have income from property, or receive any other income which is not taxed before you get it. These 'payments on account', as they are called, are equal to half of your income tax and class 4 National Insurance contributions liability for the previous tax year (capital gains tax is payable in one go on 31 January after the end of the tax year in question).

However, you do not have to make payments on account for 1998-99 if your tax outstanding from 1997-98 is below £500 or if most (80%) of your tax is collected at source. TaxCalc takes this into account. You may also be able to claim a reduction in your payments of account in some circumstances, eg you expect your income to fall - see the notes to the Inland Revenue's Tax Calculation Guide.

Tax of under £1,000 to be collected by PAYE

If you pay tax through PAYE, and have tax of less £1,000 outstanding from 1997-98, the Inland Revenue will collect it through your PAYE code (so that the tax is deducted bit by bit from your weekly or monthly pay). However, if you prefer, you can opt to pay amounts under £1,000 separately, rather than through your tax code, by clicking on the appropriate box on the **Other tax matters** screen in the Other information section of TaxCalc. If you do this, and the tax due is more than £500, you may still have to make payments on account for 1998-99.

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Amount due on 31/1/99

The 31 January tax payment each year 'sweeps' up all the tax outstanding for the previous tax year. But it is also the date for your first payment on account (if you make them) for the current tax year.   So the figure TaxCalc will show you as being due to pay on 31 January 1999, may comprise:

any tax outstanding from 1997-98 (unless this is less than £1,000 and being collected through PAYE)

your first payment on account for 1998-99

less any tax repayments you are due because you are carrying pension contributions made after 5 April 1998 back to the 1997-98 tax year, or   because you have claimed to carry back trading losses.

Introduction

Complete this screen if you are a married man or woman, in order to claim the married couple's allowance: note that it is essential to click on the appropriate button in the 'Allocation of allowances' box. Although a married couple can split the allowance, the husband remains formally responsible for claiming it: you can only claim it if you are living with your wife or you were separated before 6 April 1990 but are wholly maintaining her.

In order to make the most of TaxCalc, both husband and wife should enter data in their own file. Then, open both files together and click on the TaxSaver icon to see if any tips could save you tax.

Married couple's allowance is worth 15 per cent of £1,830 in 1997-98, ie £274.50, deducted from your tax bill. A higher allowance is paid if either you or your wife were aged 65 or more at any time in the 1997-98 tax year. TaxCalc will work it all out for you and give you the appropriate amount, if you complete this screen and also give your dates of birth in **Personal details** screen in the Personal section of TaxCalc.

For further information, see Inland Revenue leaflets IR80, *Income tax and married couples*, and IR121, *Income tax and pensioners.* The full text of these leaflets is available in TaxCalc's leaflets section.

Age-related allowances

If you or your spouse will be 65 or over at any time during the 1997-98 tax year, you may qualify for higher, age-related personal allowance and married couple's allowance. The amount of the allowance depends on the age of the oldest partner. If you are a married man married successively to two wives in the year, it is the age of the oldest of all of you which counts: in this case, you should enter the details for your oldest wife in this screen. If this is not your current wife, click on the 'additional information' in the **Transitional allowances** screen and type in her details.

The maximum age-related allowance for 1997-98 is up to £3,185 if 65 or over, up to £3,225 if either spouse is 75 or over. However, the allowance is worth only 15 per cent of these figures in 1997-98.

However, your age-related allowance may be reduced, depending on your 'total income'. This is, broadly, your gross income minus some outgoings which qualify for tax relief. If your total income is more than £15,600 (in 1997-98) your age-related allowance is reduced by £1 for every £2 above the limit. However, the allowance can never be reduced below the ordinary personal allowance (£4,045 in 1997-98).

Note
Whoever receives the allowance (husband, wife or split between you), whether or not it is reduced depends on whether the husband's total income is over the £15,600 limit - even if the allowance is claimed wholly by the wife.

Date of marriage

If a couple married during 1997-98 the husband is entitled to the married couple's allowance of £1,830, reduced by one-twelfth (£152.50) for each complete tax month prior to the date of marriage. TaxCalc will automatically take this into account.

Note
If you are getting additional personal allowance in the year of marriage, you can carry on getting it that year instead of married couple's allowance. This is worth doing since you get the whole allowance whatever your date of marriage. Click on the 'TaxSaver' icon to see if this would benefit you and if so, do not enter anything in this screen. Complete the **Additional personal allowance** screen instead and inform your tax office (you can use the 'additional information' section on the **Transitional allowance** screen to do so).

Married men

If you are a married man, fill in this section if:

you were living with your wife for all or part of the year ended 5 April 1998 **or**

you separated from your wife before 6 April 1990 and were still married to her on 6 April 1997, **and**

she has not remarried and you have wholly supported her since separation until at least 6 April 1997 with voluntary maintenance payments.

Married women

If you are a married woman, fill in this section if:

you were living with your husband for all or part of the year ended 5 April 1998 and

you and your husband have decided either to halve the married couple's allowance, or allocate it all to you for the 1997-98 tax year.

Allocation of allowances

Married couple's allowance is given automatically to the husband, unless you elect to split it between you or give it all to the wife. If you qualify for the higher, age-related allowance, you can only transfer the basic allowance which does not depend on your age. You can only make this change before a tax year begins, so it is too late to do it for 1997-98 or 1998-99. If you did not make this change, click on 'all to me' if you are the husband, and 'all to spouse' if you are the wife: if you made an election, click on whichever button applies.

However, if you did not make the election in time, and it turns out that whoever had the allowance did not make full use of it, all is not lost. You can still ask for the unused allowance to be transferred to the other spouse providing you tell your tax inspector within five years of the 31 January following the end of the relevant tax year - ie before 31 January 2004 for the 1997-98 tax year. Run Tax Saver and TaxCalc will tell you whether you should make this election. See Transfer of surplus allowance for what you should enter in TaxCalc.

If you want to change the split for 1999-2000 contact your tax office and ask for Form 18. Broadly, if only one of you is likely to have a tax liability in 1999-2000, that partner should claim the allowance. If you are both likely to pay tax, then it is purely a matter of preference as to which of you most needs to reduce your tax, unless one of you is taxed under PAYE and the other is self-employed. In this case, all else being equal, the person taxed under PAYE should claim the allowance since that way the saving is made earlier. But the amounts involved are small nowadays.

Transfer of surplus allowance

If you claimed the married couple's allowance during 1997-98 but you did not have enough income during the year to make any use of any or all of it, you can ask for the surplus to be transferred to your spouse.

Click on the button which applies to you - depending on whether you are transferring the surplus to your spouse, or you are asking for the surplus to be transferred to you.

If the surplus is to be transferred to you enter the amount to be transferred. You can find this out by asking your spouse to run TaxCalc with his or her own data, and then clicking on the TaxSaver icon. The relevant message will tell you how much is available to transfer. The same applies if you want to transfer your unused allowances to your spouse: open your own TaxCalc file and click on the TaxSaver icon to see the amount to transfer. You do not need to enter the amount in your file, but your spouse should enter it in his or her file.

Additional information

If you want your spouse to have any surplus married couple's allowance you should enter your spouse's name, address, tax reference, national insurance number and tax office under additional information. You should also do this if you are the person claiming the unused allowance.

Use the 'Additional information' button on the **Transitional allowance** screen.

The National Savings investments listed are all taxable but paid out before tax (with the exception of First Option Bonds, where tax is deducted first). All other National Savings investments are tax-free. You are taxed on the income earned on the account during the 1997-98 tax year. If you have a passbook on your account you may need to send it away to find out how much interest you have earned.

Ordinary Account

The first £70 of interest received from a National Savings Ordinary Account is tax-free - enter the full amount received and TaxCalc will automatically deduct £70.

Capital Bonds

Capital Bonds give a guaranteed rate of interest for a five-year period, the interest being added to the Bond each year. Interest is paid gross but taxable either through PAYE or your payments on account. Enter the total amount received in 1997-98 here and any tax paid on account in the **Tax paid** screen of TaxCalc.

> **Note**
> Remember to include any tax you may have already paid through your payments on account in the **Tax paid** screen in the Other information section of TaxCalc. If you are taxed through PAYE, tax on your National Savings investments may have been collected through PAYE - if so, this will be entered together with any other PAYE, eg in the **Employment details** or **Pensions** screens.

Income Bonds

Interest on Income Bonds is paid monthly, either by post or direct into a bank account. Interest is paid gross but taxable either through PAYE or your payments on account. Enter the total amount received in 1997-98 here and any tax paid on account in the **Tax paid** screen of TaxCalc.

Investment Account

The Investment Account has interest credited annually on 31 December. Interest is paid gross but taxable either through PAYE or your payments on account. Enter the total amount received in 1997-98 here and any tax paid on account in the **Tax paid** screen of TaxCalc.

Deposit Bonds

You can no longer buy Deposit Bonds as they were withdrawn from sale in November 1988. However, if you bought bonds before that date you can continue to hold them and withdraw part, or all, of your savings. Interest is paid gross but taxable either through PAYE or your payments on account. Enter the total amount received in 1997-98 here and any tax paid on account in the **Tax paid** screen of TaxCalc.

Pensioners' Bonds

These are similar to the ordinary Income Bonds, but instead of a variable rate of interest they carry a guaranteed rate of interest, payable into a bank or building society account. Interest is paid gross but taxable either through PAYE or your payments on account. Enter the total amount received in 1997-98 here and any tax paid on account in the **Tax paid** screen of TaxCalc.

First Option Bonds

This National Savings investment pays out interest after deduction of tax at the basic rate. Non-taxpayers or lower-rate taxpayers can reclaim tax, higher-rate taxpayers will have to pay more - TaxCalc will take this into account. Enter the amount actually received and TaxCalc will automatically work out the other figures for you.

> **Tip**
> If you have a National Savings investment that was started before 6 April 1994 and ceased in the year ended 5 April 1997, you were affected by transitional rules on the introduction to self-assessment. The 1996-97 tax return asked you to enter half the interest received between 5 April 1995 and 6 April 1996 - but, in the final year of receiving interest of this sort, you should have been taxed on the actual amount received. This means that you may have paid too much tax. If this affects you, enter the source of interest, the amount received and the date it stopped in the 'Additional information' section on the **Other tax matters** screen in the Other information section, and your tax office will check your 1996-97 tax bill.

If you closed an account in 1997-98

This only affects you if you first received interest from the account before 1994. Under the rules which applied before self-assessment, your tax bill was based on the previous year's interest. If you closed an account, and the amount received in the final year was more than the amount on which you were taxed in the previous year, then the taxable amount for the previous year would need increasing to the actual amount received in that year. If this applies to you, enter the amount received in 1997-98 in the screen (as usual) and enter the date you closed the account, and the 1996-97 amount of interest, in the 'Additional Information' section on the **Other tax matters** screen in the Other information section.

Net relevant earnings

Your profits for tax purposes (if self-employed) or your total before-tax pay, including most taxable fringe benefits (if you are an employee). Used to work out your maximum contributions to personal pension plans.

Introduction

How foreign income is taxed
Any income from abroad is treated in broadly the same way as UK income of the same type: the same rates of tax apply and the calculation is broadly similar. However, special rules are needed to cope with the following:

- deciding which income is taxable in the UK. The general rule is that all income arising from a foreign country is taxable in the UK, whether or not you actually bring it into the country. An exception is made for unremittable income
- deciding the rate of exchange which should be used to convert the foreign income to sterling. All figures should be entered in sterling, except for unremittable income
- allowing for any foreign tax you may already have paid on the income. To avoid being taxed twice, once abroad and once in the UK, you can either deduct the foreign tax from the income received or claim tax credit relief. Tax credit relief usually saves you most tax
- people who are non-resident, not ordinarily resident or non-domiciled in the UK (note that you cannot use TaxCalc to work out your tax if any of these applies to you).

Warning
The taxation of income from abroad can be complex and TaxCalc cannot anticipate every exceptional case. If you are in any doubt about what to enter, ask your tax office or tax adviser for help.

More help
Fuller information is given in the Inland Revenue notes accompanying the ‘Foreign’ supplementary pages. Also see Inland Revenue leaflets IR20 *Residents and non-residents* and IR139 *Income from abroad?*

Rate of exchange
The general rule is that the foreign income or gain is converted to sterling at the rate of exchange applying at the time when the income arose (e.g. the date when savings interest is credited to your account).

There is an exception if you are entering sums which were previously treated as unremittable income. In this case, convert the amount into sterling using the rate of exchange applying on the date it was received in the UK.

Income from a source which ceased
You may be affected by special rules dealing with the transition to self-assessment, if all of the following apply:

- you have overseas income from a source which first arose before 6 April 1994
- you ceased to own this source of income during 1997-98
- the amount of income which arose in 1996-97 was greater than the amount on which you were taxed.

These special rules allow your tax office to look again at the amount on which you were taxed in 1996-97, and to tax you on the actual amount you received instead, if this would mean a higher tax bill. If this affects you, enter the date on which you ceased to possess the source of income and the amount of income arising in 1996-97, in the ‘Additional information’ box.

Pensions
Enter in this table any pension or annuity from outside the UK (even if it is paid through someone in the UK). Note that if the amount received in 1997-98 includes arrears for previous years, you may be able to claim to have these arrears treated as income for earlier years. Ask your tax office about Extra Statutory Concession A55.

Note
If you expect to start getting a pension or annuity from abroad before 6 April 1999, enter the details in the 'Additional information' section on this screen, so that your tax office can adjust your PAYE code if necessary.

Tax-free income from pensions
The following income from overseas pensions is tax-free:

- any extra pension from a former employer received because you were disabled by a work-related injury or illness (in excess of any ordinary ill-health pension) war widows' pensions and some pensions to other dependants of deceased forces and Merchant Navy personnel. See IR Help Sheet *IR310: War widow's and dependant's pensions*

some pensions payable under special German and Austrian laws, including payments to victims of Nazi persecution. Attach the document awarding you the pension to your tax return

one-tenth of a pension or annuity from an overseas employer or pension fund.

In these cases, you should enter the whole amount of the pension received under 'Amount before tax', deduct any tax-free amount and enter the result under 'Amount chargeable'.

Social security benefits

Any benefits received under the social security legislation of a foreign government are treated in a similar way to UK benefits. This means that while some benefits are taxable, those overseas benefits which are equivalent to tax-free UK benefits are also tax-free. Overseas benefits corresponding to the following UK benefits are tax-free and do not need to be entered here:

incapacity benefit paid during the first six months of your incapacity, or for a period of incapacity beginning before 13 April 1995

attendance allowance

disability living allowance

severe disablement allowance

maternity allowance

widow's payments (lump sum payments only)

child special allowance

guardian's allowance

child benefit.

Enter any benefits which are not tax-free - if in doubt, ask your tax office.

Country

Enter here the name of the country in which the income or gain arose. Note that for tax purposes, 'the United Kingdom' is made up of England, Wales, Scotland and Northern Ireland. So income from (and capital gains made in) any other country counts as 'foreign', including that from the Channel Islands and the Isle of Man.

Unremittable income

If you have income arising outside the UK that you were unable to transfer (or 'remit') to the UK, because of exchange controls or a shortage of foreign currency in the overseas country, then you can claim that the unremittable income should not be taxed until it is possible to transfer it.

If you have unremittable income, you should still tell the Revenue about the income by entering the country, amount before tax and foreign tax, but be sure to click on the 'Unremittable income?' box and leave the 'Amount chargeable' box empty. In this case only, enter the income and foreign tax in the foreign currency rather than converting it to sterling. After you have printed out the tax return, cross out the £ sign pre-printed on the form.

Amount before tax

Enter the amount credited to you (or remitted, if previously unremittable), before deducting any UK or foreign tax, but after deducting any unremittable income. The information should be shown on any documentation received with the income.

UK tax

Your foreign income may be paid to you through an agent in the UK (e.g. a bank). The agent will normally deduct tax before passing the money on to you. In this case, you should enter the amount deducted here: TaxCalc will take it into account when working out your final tax bill.

If you have already paid some tax on this income through your payments on account, enter this on the **Tax paid** screen under other information, not here.

Foreign tax

Enter here the amount of any foreign tax you have already paid on the item of income. For example, some foreign tax may have been deducted before the income was paid to you (in which case it is known as 'withholding tax'). TaxCalc will take the foreign tax into account when deciding how much further UK tax is due. However, you cannot take into account any tax in excess of the amount set out in any Double Taxation Agreement between the UK and the foreign country. If you paid more, you should enter here only the minimum amount to which you were liable and approach the overseas tax authority for a refund of the excess. Further information on the amount of foreign tax you can set against your UK tax bill is given in the notes to the 'Foreign' supplementary pages.

There are two ways in which foreign tax can be taken into account in the calculation:

- by simply deducting the foreign tax paid from the before-tax amount of income
- by claiming tax credit relief.

Tax credit relief will normally result in the smallest tax bill, but if you decide not to claim it, or cannot (see Note below), or if the income is unremittable, you should click on the 'tax credit relief' button to remove the tick, deduct the foreign tax from the before-tax amount of income, and enter the result in the 'Amount chargeable' box.

Amount chargeable

The figure to enter here depends on whether you have entered an item of unremittable income and on whether or not you are claiming tax credit relief:

- if you have entered an item of unremittable income it is not taxable. Do not enter anything in the 'amount chargeable' box
- if you have decided to claim tax credit relief, you can also leave the 'amount chargeable' box blank, providing you have entered the before-tax amount. TaxCalc will calculate the relief for you separately, providing the 'tax credit relief' box for the item is ticked
- if you are not claiming tax credit relief, take the before-tax amount, deduct the foreign tax, and enter the result at 'Amount chargeable'. Remember to click on the

tax credit relief button to remove the tick

if you receive a foreign pension part of which is tax-free, enter the amount received, less the tax-free amount, less (if you are not claiming tax credit relief) the foreign tax.

Tax credit relief

To avoid paying two lots of tax on your foreign income, both overseas and in the UK, you can just deduct the foreign tax from the before-tax amount, and then work out your UK tax on the amount you are left with. However, claiming tax credit relief instead may result in a lower tax bill, because it provides relief if the foreign income pushes you into a higher tax bracket.

Roughly speaking, to work out your tax credit relief, you work out:

the UK tax on your income including the item of foreign income

the UK tax on your income excluding the item of foreign income.

The relief is the difference between the two or, if less, the amount of foreign tax. In practice, the calculations can get very complicated if you have more than one item of foreign income because the relief has to be worked out separately for each, according to a strict order of priority. TaxCalc does this for you automatically. However, it cannot currently deal with special rules if as well as foreign income you have taxable lump sums from an employer or from a life insurance policy, or if you have taxable capital gains. Special working sheets are available for the Inland Revenue if this affects you.

TaxCalc assumes that in most cases it will be better to claim tax credit relief, and so the 'tax credit relief' button will remain ticked unless you click on it. However, you can see what difference it makes by running TaxCalc both with and without the 'tax credit relief' button ticked to see which produces the smallest tax bill. In particular, tax credit relief is likely to be less advantageous if you would have no UK tax to pay on the item in any case.

Note

Tax credit relief is not always available, for example it is not available on overseas life insurance gains. You should always check the position for any country from which you receive foreign income or gains, in case there are any limitations or special rules to observe. Ask your tax office or tax adviser.

Relevant deductions

The calculation of tax credit relief can be affected by tax relief you have claimed on payments such as personal pension contributions or charitable covenants. If any of the payments you have claimed under the Reliefs section of TaxCalc relate specifically to, and depend upon the amount of, a particular item of foreign income, you should enter the amount of the payment as a 'Relevant deduction'. An example might be personal pension contributions you make, on the basis of foreign earnings. If only part of the payment is related to the foreign income, you should enter only the relevant part.

Foreign life insurance

A 'foreign' policy is a policy from an overseas insurance company, but not usually from a UK branch of an insurance company based overseas. Check with the company if in doubt. Most gains from foreign insurance policies are taxable - however, the rules for when you are treated as having made a 'gain', and for calculating the amount of the gain, can be complex and you should check Inland Revenue Help Sheet *IR321: Gains on foreign life insurance policies*.

If you have more than one foreign life insurance policy, also enter details of each under 'Additional information' on this screen.

Notional tax

Most UK life insurance policies are regarded as already having had the equivalent of basic-rate tax - 'notional tax' - deducted from the gain before you get it. The notional tax is set against your overall tax bill, but cannot be reclaimed, even if you are a non-taxpayer. An overseas insurance policy is only regarded as having had notional tax deducted if:

- it was taken out before 18 November 1983, and has not been changed since in such a way as to increase the benefits payable or to extend the term
- the insurance company is resident in other resident states and has been taxed on the underlying investments. This is likely to apply only for insurers resident in Denmark, Sweden and, in some cases, Ireland: check with the insurer.

If this applies, multiply the amount of the gain by 23 per cent and enter the result in the 'Notional tax' column. The notional tax takes care of your basic-rate tax bill on the gain, but you may have higher-rate tax to pay if you are a higher-rate taxpayer.

Policy

Enter any name/reference you wish to give the policy - this is not needed for the tax return, but TaxCalc requires a brief reference here for identification purposes.

Top-slicing relief

Receiving a lump sum from insurance could work against you if it meant that you were pushed into a higher tax bracket. Top-slicing relief gives you some protection against this. It works, broadly, by spreading the gain over the lifetime of the policy (or over the number of years since the last chargeable gain took place).TaxCalc automatically works out whether top-slicing relief will save you tax and enters it in the correct place on the tax return - if you run Tax Saver, TaxCalc will tell you whether you should claim top-slicing relief.

Number of years

So that TaxCalc can correctly work out the top-slicing relief on any tax bill, you need to enter the number of years over which the taxable gain should be spread. Enter the number of **complete** years since you took out the policy (look at the policy commencement date), or the number of complete years since the last chargeable gain took place (eg if in one year you cashed in part of your policy and you are now cashing in the rest).

Amount of gain

Enter the taxable amount of the gain, in sterling - details of how to work this out are given in Inland Revenue Help Sheet *IR321: Gains on foreign life insurance policies.*

> **Note**
> If you have taxable life insurance gains, either from the UK or overseas, special calculations have to be applied when working out your tax. This means that when

you come to look at TaxCalc's workings, you should consult the special 'lump sums' detailed summaries on the 'Tax' menu (life insurance proceeds are categorised with 'lump sums' for calculation purposes).

Disposals of offshore funds

Any dividends or other such income from offshore funds should be entered on the **Savings** screen in the Foreign section of TaxCalc, not here. However, special rules mean that in some cases, any gain you make when you sell or otherwise dispose of your investment may be taxed as income rather than as capital gains - it is these gains which you should enter here.

For the purpose of these special rules, an offshore fund is defined as a means of investing in a non-UK-resident company, a foreign unit trust, or any other such 'co-ownership' investment scheme, in which you have a 'material interest'. You have a 'material' interest if, at the time you acquired your investment, you might reasonably expect to be able to realise it (e.g. sell it) within the following seven years, at about the market value of the fund's assets that your share represents.

Exactly what you need to enter depends on whether your fund has been granted 'distributor' status (which the fund managers should be able to tell you). Distributor status is granted to funds which regularly distribute the bulk of their income to investors rather than rolling up the income in the fund until investors dispose of their holding.

If your fund has *not* been granted distributor status

All your gains from disposing of your investment are taxed as income. Enter the un-indexed amount of the gain (you cannot make any allowance for indexation, as you can with gains which are taxed as capital).

If your fund has been granted distributor status

Your gains will be subject to capital gains tax and should be entered in the Capital gains section of TaxCalc, not here. The only exception is if the fund operates 'equalisation arrangements'. In this case, part of the gain will be taxed as income and should be entered here. This part will normally be shown on the redemption voucher given to you by the fund manager.

Income from non-resident trusts

If you have an absolute entitlement to the income from a non-UK resident trust, enter here any income taxed as yours - but only if it arises from a non-UK source. If the income arose from a UK source you should enter it in the Savings and investments section of TaxCalc.

If you have received a discretionary payment from a non-UK resident trust, you should also enter the amount here. However, Extra-Statutory Concession B18 may allow you to claim a tax credit for UK tax already paid by the trustees - if you think this may apply contact the Inland Revenue at:

Financial Intermediaries and Claims Office
St. John's House
Merton Road
Bootle

Merseyside L69 9BB. Tel: 0151-472 6000

Income received by a company, trust etc

Special anti-avoidance rules seek to tax transfers you have made to people, companies or trusts overseas, if you can still benefit from them. The same may apply if someone else has made a transfer which you benefit from. You should enter the taxable amount here, unless you can show that the purpose of the transfer was not to avoid tax. Even so, you must show in the ‘Additional information’ section on this screen if you are omitting income for this reason. If you think you may be affected by these rules, you are likely to need help from a suitably qualified tax adviser.

> Note
> Also enter the full name of the trust, or the name and address of the company or other body concerned, under 'Additional information'.

Other business income

There are some types of income which are counted as part of your business profits for tax purposes, but which cannot be reduced by business losses. An example might be Enterprise Allowance or some other forms of business start-up grants. Enter here the amount of any such income received in the period 6 April 1997 to 5 April 1998.

If you unsure whether business income you receive falls within this category, speak to your tax inspector or a Tax Enquiry Centre before completing.

Deductions made by contractors on account of tax

You only need to complete this box if you are a subcontractor in the building industry. Subcontractors may have received some payments under the Construction Industry Tax Deduction Scheme. If you have, enter here the total of the deductions made on account of tax from payments made to you during the period 6 April 1997 to 5 April 1998.

These tax deductions should also be shown on forms SC60, which you should have received from the businesses or organisations you have worked for. **Your SC60s must be sent with your tax return to the Inland Revenue.** If you do not have an SC60, and cannot get one from the contractor, you should enter details of the payments and the name of the contractor in the 'Additional Information' box on the **Business details** screen.

TaxCalc will deduct any amounts entered here from your overall tax liability.

> **Note**
> For these two items alone, you should enter income/deductions for the 1997-98 tax year, not the accounting period.

Tax paid
Other tax matters
Claim tax repayment
Additional information

Enter the source of the income, the amounts before and after tax and the amount of tax already deducted.

Tip
If you received interest that was paid without tax deducted, started before 6 April 1994 and ceased in the year ended 5 April 1997, you were affected by transitional rules on the introduction to self-assessment. The 1996-97 tax return asked you to enter half the interest received between 5 April 1995 and 6 April 1996 - but, in the final year of receiving interest of this sort, you should have been taxed on the actual amount received. This means that you may have paid too much tax. If this affects you, enter the source of interest, the amount received and the date it stopped in the 'Additional information' section on the **Other tax matters** screen in the Other information section, and your tax office will check your 1996-97 tax bill.

If you closed a gross-paying account in 1997-98

This only affects you if you first received income from the account before 1994. Under the rules which applied before self-assessment, your tax bill was based on the previous year's interest. If you closed an account, and the amount received in the final year was more than the amount on which you were taxed in the previous year, then the taxable amount for the previous year would need increasing to the actual amount received in that year. If this applies to you, enter the amount received in 1997-98 in the screen (as usual) and enter the date you closed the account, the number of the Inland Revenue box in which the 1997-98 income appears on your tax return, and the 1996-97 amount of interest, in the 'Additional Information' section on the **Other tax matters** screen in the Other information section.

Accrued income

The accrued income scheme applies if you bought or sold interest-bearing bonds and loan stock, for example British Government stock, building society Permanent Interest-Bearing Shares (PIBS), local authority bonds or company debentures, and the next interest payment date fell due during the 1997-98 tax year. It does not apply to ordinary or preference shares in a company, units in a unit trust, National Savings Certificates or bank deposits. Nor does it apply, if the nominal value of all the securities held by you does not exceed £5,000 either in the tax year in which the next interest payment on the securities falls due, or in the previous tax year. So you are exempt for this tax year if your total holdings did not exceed £5,000 at any time during 1996-97 or 1997-98.

When you buy and sell investments within the accrued income scheme, part of the price you pay may include a proportion of the net interest payment. The scheme is a way of counteracting 'bondwashing' on such stocks - ie converting income into capital gains by selling the stocks at a time when the price reflects a significant element of accrued interest. It works by treating the interest accrued up to the date of sale as the seller's income. The buyer is taxed on the income accruing from the date of transfer.

When you buy or sell stocks in the scheme, the contract note should show the accrued interest. How it is treated for tax purposes depends on whether you are the buyer or the seller, and whether you are selling or buying the right to the next dividend ('cum dividend') or without the right to the next dividend ('ex dividend').

> If you sell cum dividend or buy ex dividend, the accrued income is a charge on which you are taxed
>
> If you buy cum dividend or sell ex dividend, the accrued income is an allowance on which you get tax relief.

You should calculate charges or reliefs for securities you have bought, sold or transferred where the next interest payment after your purchase or sale fell between 6 April 1997 and 5 April 1998. For each kind of security, combine the charges and reliefs to produce a net figure:

> If the charges exceed the reliefs do not put the excess here. This should be input in the **Other income** screen.
>
> If the reliefs exceed the charges for a kind of security, deduct the excess from the interest received for that kind of security and enter the reduced amount of interest here.

For more information see Inland Revenue leaflet IR68, *Accrued Income Scheme. Taxing securities on transfer*.

Relevant discounted securities

From 6 April 1997, relevant discounted securities replace those types of securities previously termed 'deep discount bonds' and 'deep gain securities'. Broadly, these are securities where the investor's return is mainly made up of a discount or premium payable on redemption of the bond, rather than by interest payable over the life of the bond.

The discount or premium must be capable of being more than:

> 15 per cent of the issue price or, if smaller,
>
> half a per cent of the issue price for each year of the bond's life.

For example, in the case of a ten year bond, any discount of five per cent or more would mean it was a discounted bond.

A security with an uncertain yield, for example, linked to the Retail Prices Index, will normally be a relevant discounted security.

A security linked to the value of assets which would be chargeable assets under the capital gains rules (for example, a security linked to the FTSE index) will not normally be a relevant discounted security.

If you hold a relevant discounted security you will generally be chargeable to tax only when you dispose of the security in any way or it is redeemed at that time. You will be charged on the difference between the amount paid for the security and the amount you received when you redeemed or sold it. Tax is not deducted from the payment, so the gross amount of the discount should be entered at 'Amount before tax'. Leave the 'Tax deducted' and the 'Amount after tax' boxes blank.

Gilt strips

Gilt strips are also considered relevant discounted securities, but in contrast to the usual rules there will be a charge on the discount each year, even if you do not dispose of the securities during the year. The discount is worked out by comparing the market value of the gilt strips on 5 April with their market value a year earlier or with the price you paid for them if you bought them during the tax year. The amount of the discount should be entered as the gross amount. Leave the other boxes blank.

Transfer of income from securities

If you sell or transfer the right to receive dividends or interest but do not dispose of the underlying securities, the income from those securities is treated as your taxable income. Enter the amount of income paid out (even if you have not received it) here.

Purchased life annuities

These are annuities which you buy yourself, not the annuities bought with a pension fund (which should be entered on the **Pensions** screen). Only part of the income from a purchased life annuity is taxable: the rest is regarded as a repayment of your capital and is tax-free. Enter only the taxable part under gross amount - the insurance company should be able to tell you how much this is. If the income is paid after deduction of tax (as it will be in most cases), also enter the tax deducted and the after-tax amount actually received.

If you are married

If you own an investment jointly with your husband or wife, you should each enter half the income received, unless you have already elected for a different split.

Other savings income

If you receive cash from a building society merger which is taxable as income, not a capital gain, enter it on the **Interest** screen. But if you are not sure whether such a payment is liable for income tax or not, include it in this screen, but also give details of the payment in additional information. Use the 'Additional information' button on the **Other tax matters** screen in the Other information section of TaxCalc.

All the boxes on this screen relate to various payments which qualify for tax relief. On some types of payment you get partial tax relief, on others you get full tax relief. TaxCalc takes into account all the different rules for each type.

Expenses paid after ceasing in business

You may be able to get tax relief for expenses you pay after you cease in business, if those expenses are closely related to that business.

The payments must be made within seven years of the business ceasing, and must be amounts spent:

- in remedying, or as damages for, defective work done, goods supplied, or services rendered in the course of the former business activity
- for legal or other professional services in connection with any claim that the work, goods or services were defective
- for insurance against any expenses described above
- in recovering debts which have been taken into account in calculating the business profits before it ceased

Additionally, relief is available for debts owed to the business which have been taken into account in calculating the profits or gains of the business before it ceased but which, within seven years of the business ceasing are:

- shown to be bad or
- released under a formal voluntary arrangement.

Enter here the amount of relief you are claiming against 1997-98 income.

You can also claim against capital gains incurred in 1997-98 - but don't enter that amount here, see the section on capital gains tax for more information.

Payments to trade union or friendly society

You get tax relief on what you pay into certain combined life insurance and sickness policies issued by friendly societies (check with the society if you think you have a policy which might qualify).

You may also get tax relief on that part of a trade union subscription which is for superannuation (ie a pension), funeral or life insurance benefits: and on some compulsory payments you have to make (eg as a condition of your employment) for an annuity which pays out on your death to your wife and children.

You can claim tax relief for :

- the part of your trade union subscription that entitles you to superannuation (that is pension), life assurance or funeral benefits
- part of any premiums that you pay to a friendly society for a combination of sickness and death benefits, where the total premium is no more than £25 per month, and 40 per cent or less of the premium is charged for the death benefit.

The relief is calculated as one half of that part of your subscription or premium which went to provide the superannuation, life assurance funeral or death benefit. Your union representative or friendly society will be able to tell you how much, if any of your subscription or premium was for these benefits.

Enter the name of the scheme, trade union or friendly society, and the actual amount of contribution which was related to death or superannuation. TaxCalc will take half of the amount entered as qualifying for tax relief.

Losses on discounted securities

If you have incurred a loss in the year ended 5 April 1998 on the disposal of any relevant discounted security, or the deemed disposal of a gilt strip, you can claim tax relief for that against income in 1997-98. Enter the amount you wish to claim here.

From 6 April 1996 relevant discounted securities replace those type of securities previously termed ‘deep discount bonds’ and ‘deep gain securities’. Broadly, these are securities where the investor’s return is mainly made up of a discount or premium payable on redemption of the bond rather than by interest payable over the life of the bond.

Enterprise Investment Scheme

Enter the gross amount invested in a qualifying EIS company in the 1997-98 tax year.

The scheme covers investment in shares in qualifying unquoted companies. You get tax relief at 20 per cent on investments up to £100,000 a year: the gains are free of Capital Gains Tax if you hold the shares for at least five years, and any losses can be set against either income or Capital Gains Tax. For more details see Inland Revenue leaflet IR137.

Tax relief is given in the tax year in which the shares are purchased, but one-half of the amount subscribed before 6 October in any tax year can be carried back for relief to the previous tax year. The maximum carry-back is £15,000. The claim for carry-back must be made at the same time as the claim for tax relief and the carry-back cannot increase the relief for a tax year to more than £100,000. If you wish to claim carry-back, speak to your tax office before sending in your tax return.

Note
You should enter details of each investment to an EIS in additional information. Use the 'Additional information' button on the **Other tax matters** screen (in the Other information section of TaxCalc).

Other property income

You should use this section for any land or property income which is not classed as furnished holiday lettings. But if all your property income falls within the Rent a Room scheme you need only click the button at the top of the screen: you can ignore the rest of the boxes. If renting out a property counts as a trade (for example, you run a guest house), you should not enter the income here: enter it here in the Self-employment section of TaxCalc.

Rent a Room scheme

If you let furnished rooms in your only or main home in the UK you can get the first £4,250 tax free under the Rent a Room scheme (you do not actually have to own the home for the scheme to apply - you can be renting it yourself and sub-letting). If more than one person receives rent from one property the tax-free allowance is reduced to £2,125 per person. For full details see Inland Revenue leaflet IR87 *Letting and your home* (full text available in TaxCalc's Leaflets section).

If you elect to be in the scheme, any charge you make for meals, laundry etc must be added to the rent received when calculating the gross rent. You cannot deduct expenses or capital allowances from the rent received, and if you make a loss from renting, you cannot use the loss to reduce your other taxable income.

Some people may lose out by being within the Rent a Room scheme, if, for example, expenses exceed the rent received and they want to claim relief for a loss. Because of this, you can elect to come out of the Rent a Room scheme. the time limit for the claim is twelve months after 31 January following the end of the relevant tax year - i.e. 31 January 2000 for the 1997-98 tax year.

If your rents which qualify for Rent a Room relief exceed £4,250 (or £2,125), you can choose between either paying tax on only the amount above the limit, but ignoring any expenses, or staying out of the scheme altogether.

This means that there are three options open to you if you let furnished rooms in your only or main home.

Option 1: Rents not exceeding £4,250 (or £2,125)
In general, if your total income from this sort of letting does not exceed £4,250 (or £2,125 if you are sharing the income with someone else) you will be exempt from tax under the Rent a Room scheme and you will have nothing to lose by being in the Rent a Room scheme.

If you choose this option, and you have no other income from property, you need only click the first box on this screen. You can leave the rest of the boxes empty.

Options 2 & 3: Rents exceeding £4,250 (or £2,125)
If your total receipts from letting furnished accommodation in your only or main home do exceed £4,250 (or £2,125) for the year to 5 April 1998 you will be able to choose between Options 2 and 3.

Option 2
Claiming the Rent a Room exempt amount on the first £4,250 of your rent from this type of letting (or £2,125) and paying tax on the balance. If you choose this route you cannot claim any expenses against your rental income, as you are claiming the Rent a Room exemption.

If you choose Option 2, you should enter the amount of your Rent a Room exemption in the 'Tax adjustments' section (TaxCalc will deduct the relief from your gross rental income) but do not enter any expenses or capital allowances relating to this letting.

Option 3
Ignoring the Rent a Room exemption altogether and calculating your gross profit on this type of letting in the normal way - that is, your gross income from rents paid less all allowable expenses and capital allowances.

If you choose Option 3, leave the 'Rent a Room exempt amount' box in the Tax adjustments section empty, but complete any other relevant boxes, in particular those for allowable expenses.

Which option?
If you have rent which is above the Rent a Room limit of £4,250 (or £2,125 for shared income) TaxCalc can help you choose whether to go for Option 2 or Option 3. Fill in the whole screen, entering both your expenses and your Rent a Room exempt amount: TaxCalc will compare your profit or loss under both Option 2 and Option 3. Click on the TaxSaver icon to see if you would do better to elect to come out of the Rent a Room scheme. Then go back to the screen to delete either the exempt amount (if you choose Option 3) or the expenses (if you choose Option 2).

Note though, that this only works if you enter income just for the one property. If you have other rental income, you will need to set up another file, excluding the other rental income.

Total income is within Rent a Room scheme

Click here only if all your income from renting qualifies for rent a room relief and is within the £4,250 limit on relief (£2,125 on if the income is shared). If you have some rental income which qualifies for Rent a Room relief, and some which does not, you need to total up your income, expenses etc. from all the sources before you enter them in the relevant boxes. TaxCalc will make entries in the appropriate boxes on the tax return.

Jointly-owned property

If you own and let either holiday property or other types of land and property jointly with one or more people, you should include only your share of the income on the tax return. Also, put your share of the allowable expenses and losses etc, in the relevant sections. If you receive notice of your share after expenses have been deducted, enter your income share as normal but leave boxes in the 'expenses' section blank. Make sure you tick the relevant box about jointly-owned property at the top of this screen.

> **Note**
> You must also include, under additional information, the name and address of the person who has been nominated to keep records of the lettings. Use the 'Additional information' button on the **Other tax matters** screen (in the Other information section of TaxCalc).
>
> If you are the nominated person enter "I am the person nominated to keep records for property which is jointly owned and let".

Rents and other income from land and property

Total up all income (whether it is paid in cash or kind) due to you in the 1997-98 tax year, even if you do not receive the money or goods until later. Include any rent arrears that may be paid to you after April 5 1998, but which fell due in the tax year ending 5 April 1998. However, exclude any rent you may have received in advance (ie any rent relating to the period beginning 6 April 1998 and beyond).

Income from this source is treated for tax purposes as investment income. It does not matter if the property is let furnished or unfurnished, or whether there is one letting or many. Rent received from fixed caravans or permanently moored houseboats should be included in this section (provided they are not holiday lettings).

If you provide services such as meals, laundry, gardening etc, any income you receive should be included here. If you own the property with someone else, see Jointly-owned property below for what to enter.

Enter chargeable premiums separately.

Tax deducted

This section only applies if your tenant deducted tax from the rent (on behalf of the Revenue) before paying it to you. This is likely to happen only if you are an overseas landlord. If so, you should enter the whole amount to which you were entitled in the 'Rents and other property income' box (including the tax deducted): also enter the tax here.

You may well already have paid some tax on your 1997-98 rental income through your payments on account. If so, remember to enter your payments in the **Tax paid** screen in the Other information section and TaxCalc will take these into account.

Chargeable premiums

The rental income you receive may include premiums paid for the grant of a lease and certain other payments given in connection with right to possession of a property. Such premiums are taxable on a special basis.

Broadly, for leases over 50 years the entire premium is treated as capital received and so does not form part of your income. For leases up to 50 years the premium is treated as partly capital and partly rent and only the rent is taxable.

To calculate the taxable proportion of your chargeable receipt:

- multiply the premium received by the number of complete periods of 12 months in the lease (the first 12 months of the lease can be ignored)
- divide the result by 50 and deduct from the premium received
- the result is the taxable portion of your chargeable premium.

Enter any taxable chargeable premiums here.

Expenses

You can deduct certain expenses from your income. A loan to buy or improve property which you let may also be deductible.

If only part of the property is let, or for only part of the year, you may be able to claim only whatever part of the expense is in line with the proportion of the letting. Enter the correct proportion of your expenses in the appropriate box.

Tax adjustments

To arrive at your 'taxable' income (or loss) from property, you need to make certain adjustments to the net profit or loss which arose during the tax year.

Private use

Private and personal expenses are not allowable. If you spend money on something which is only partly used in the renting of the property(ies) or land you own, and partly for your own private use you must either:

- put the proportion of the expense which relates to the rental property under 'expenses', ***or***
- put the whole amount of the expense in the 'expenses' section and also enter the proportion of the expense which relates to private use under 'tax adjustments'.

For example, you employ a gardener who works for three hours a week on your own garden at home and three hours a week maintaining the garden in a property on which you receive rental income. You could either claim 50 per cent of the wages you pay under 'expenses' or you can put 100 per cent of the wage bill into 'expenses' and 50 per cent under 'tax adjustments - private use'. It does not matter which method you choose as long as you only claim the expenses due to you for the rented property (or land).

Capital allowances and balancing charges

When you work out your profits from furnished holiday lettings or other property income, you must not deduct:

- the cost of buying, altering, building or installing or improving fixed assets (for example, property and machinery), or
- depreciation or any losses which arise when you sell them.

Instead you may in a few cases be able to claim capital allowances. These reduce a profit or increase a loss. An adjustment, known as a balancing charge, may arise when you sell an item, give it away or stop using it. Balancing charges increase your profits or reduce your loss. For more information ask for Inland Revenue Help Sheet IR250 *Capital Allowances and Balancing Charges in a Rental Business*. Note that you cannot claim capital allowances for a property on which you are claiming Rent a Room relief: nor can you claim capital allowances for equipment in a 'dwelling house' or flat.

10% wear & tear

You can claim a deduction for 'wear and tear' if you let furnished property in the UK (but not furnished holiday accommodation - capital allowances are available on this type of property instead). You may claim a deduction for either:

- the net cost of replacing a particular item of furniture or furnishings but not the cost of the original purchase, or
- an allowance amounting to ten per cent of the rent received after deducting charges or services which would normally be borne by a tenant but which are, in fact, borne by you (for example, Council Tax).

If you have the option of claiming either capital allowances or wear and tear you must choose one or the other - you cannot have both.

Rent a Room exempt amount

Complete this if you are claiming part of the rent you receive under the Rent a Room scheme, and part as ordinary property income. Note that you cannot claim any expenses on the exempt amount if you are doing this.

Losses

If you have made a loss from owning land and property in 1997-98, it is usually carried forward to future years to set against other income from property. However, if you claimed capital allowances this year, you can claim to set some of your losses against your total income from all sources. If you have unused losses to carry forward to next year, TaxCalc will work out the amount for you and enter it at box 5.45 on the Land and Property supplementary sheets.

Losses brought forward from last year

Enter here any losses you may have made in previous years on land or property that you wish to offset against this year's rental income. Include losses made on all lettings, but exclude from the total any losses brought forward from last year which you are now setting against total income (not just rental income). See 'Losses offset against total income', below, for more information.

Losses offset against total income

The loss you can offset against your **total** income (as opposed to just against rental income) is the lowest of:

- the amount of capital allowances you have claimed (excluding capital allowances on equipment let to non-traders), less any balancing charges
- the net profit (after taking into account tax adjustments and expenses) you have made for the year from your rental income
- the amount of general income available.

So, if your capital allowances do not exceed the balancing charges (or if you are not entitled to claim capital allowances) you cannot offset a loss against other income and you should leave this box blank.

Pooled expenses

This box is only relevant if you own an agricultural estate or an estate over which there exists a 'one estate election'. Land managed as one estate has special rules for expenses and you will need to refer to Inland Revenue Help Sheet IR251, *Agricultural Land and Land Managed as One Estate* before you enter anything in this box. Any amount entered here will be transferred to the relevant box on the Land and Property Supplementary Pages, but does not affect your tax calculations for 1997-98.

This screen is a 'catch all' for various bits of information requested on the tax return. You do not need to complete it if you are not intending to use TaxCalc to produce a tax return to send to the Revenue.

Not resident in the UK

If you are claiming to be not resident, not ordinarily resident or not domiciled in the UK for all or part of the 1997-98 tax year, click here. Part of your income may not be liable to income tax. TaxCalc cannot currently help you if you are not a UK resident for tax purposes. However, you can use it to print out a copy of the non-residence supplementary pages for you to complete yourself, by going to Non-residence on the 'Forms' menu. Note that non-residence may have other tax consequences which are not covered in TaxCalc - for example, you may be able to claim special treatment for foreign income, but you may not be able to claim personal allowances.

New pension or benefit for next year

Click this box if you expect to start receiving a pension or social security benefit during 1998-99. This allows the Revenue to adjust your PAYE code if necessary.

Collection of tax you owe

If you pay tax through PAYE and the amount you owe for 1997-98 is less than £1,000 the Revenue will normally agree to collect this through your PAYE code. This is usually a good idea because it spreads out your tax bill over the year. However, you must usually return your tax return form to them by 30 September 1998 for this to happen. However, if you DO NOT want tax you owe collected in this way click on this box.

Provisional figures

You should not delay sending in your tax return because you don't have all the information you need. You must try to get hold of all the relevant information, but if you cannot provide final figures then you may estimate the amount. If any figures given in your tax return are estimates, click this box. You will then need to give details under 'Additional information' as follows:

- which figures are provisional (refer to the appropriate numbers in the tax return)
- say why you couldn't give final figures
- say when you expect to be able to give final figures

The Revenue will not normally regard a tax return as incomplete simply because it contains provisional figures, provided you have taken all reasonable steps to get the final figures, and you make sure you send them to the Revenue as soon as they are available.

Paying rent to a landlord who lives outside the UK

If you pay rent direct to a landlord who lives abroad (even if you pay it to an account in this country), you must effectively act as a tax collector and deduct basic-rate tax before you hand the money over. The tax must then be paid quarterly direct to the Inland Revenue. This does not apply when rent of £100 or less per week is paid, or if your landlord has Revenue approval to receive rent before tax.

You do not have to give details of your rent or the tax collected on your tax return, but you must notify the Revenue if you pay rent to an overseas landlord. Click the box if this applies to you, and enter the name and address of your landlord under 'Additional information'.

Other reliefs

There are some other special circumstances which may apply to you and which you need to notify the Revenue of. Click this box if you are claiming any of the following reliefs:

Claiming relief now for 1998-99 trading losses.
Enter the amount of the loss and year for which you are claiming relief in the 'Additional information' box. This is required for the tax return, but TaxCalc cannot take into account any figures entered here when calculating your 1997-98 tax liability

Business receipts taxed as income of an earlier year
If you want post-cessation or other business receipts taxed as income of an earlier year. Enter the amount and year in the 'Additional information' box. This is required for the tax return, but TaxCalc cannot take into account any figures entered here when calculating your 1997-98 tax liability

Literary or artistic income
If you want to spread literary or artistic income to earlier or later years. Enter details of any amounts spread back to last year, and, if appropriate the year before, in the 'Additional information' box. This is required for the tax return, but TaxCalc cannot take into account any figures entered here when calculating your 1997-98 tax liability.

Loans qualifying for tax relief

Complete this section if you have any loans which qualify for tax relief, other than your mortgage to buy your only, or main, home. Whether or not you qualify for relief depends on the purpose for which the loan is taken out. The following loans qualify:

- a loan to buy a stake in (or lend to) a ‘close’ company, for example, a family business - unless it also qualifies for the Enterprise Investment Scheme
- a loan to buy a share in a partnership, or in a co-operative or employee-controlled company where you are employed more or less full-time
- in some cases, a loan to buy plant or machinery for your work
- a loan to pay inheritance tax if you pay before probate is granted.

Do not enter loans for business purposes in this section, unless covered in the list above - in most cases, the interest on such loans should be entered as a business expense in the Self-employment section of TaxCalc. Interest on loans to buy or improve rental properties should go in the Property section. Note that you cannot get relief on credit card or overdraft interest.

Free or cheap loans from your employer

If you have a free or cheap loan from your employer which is taxed as a fringe benefit, but the loan is for a purpose which qualifies for tax relief, you may be able to claim extra tax relief. Enter the amount which qualifies for tax relief here. See Inland Revenue Help Sheet IR145 *Low interest loans provided by employers*.

Name of lender

Enter the name of the lender who granted the mortgage or loan. This information is not needed for the tax return, but TaxCalc requires a brief reference here for identification purposes.

Purpose of loan

The tax return does not require you to enter the purpose of the loan. However, you may find it helpful to enter the purpose here.

Interest paid

You should enter the amount of interest paid which qualified for tax relief in the 1997-98 tax year. If you have a joint loan with someone else, only enter the amount of interest for which you are claiming tax relief.

For tax purposes, there are two types of maintenance payment: voluntary and enforceable. To get tax relief, maintenance payments must be enforceable. This means they must be made under a court order, a legally-binding written agreement, or an assessment from the Child Support Agency.

Payments made under any other arrangements are regarded as voluntary payment for tax purposes and will not qualify for tax relief. Enforceable maintenance arrangements set up for the first time since 15 March 1988 are taxed differently from those made before then.

Under the 'new' (post-March 1988) rules, ex-spouses who receive maintenance pay no tax on it at all; and the person who pays the maintenance gets tax relief on payments only up to a given limit. If you are covered by the old rules, the ex-spouse receiving maintenance may have some tax to pay; but the payer receives tax relief on most of the payments.

Under new or old rules, you will get any tax relief on maintenance you pay either through an adjustment to your PAYE code or through a lower tax bill.

Date of order

Enter the date of the order or agreement in force at the current time and, if applicable, any previous order.

> **Note**
> This information is also required under additional information on page 8 of your tax return. Please use the 'Additional information' button on the **Other tax matters** screen in the Other information section of TaxCalc.

New rules - post-March 1988

The new rules apply to court orders, legally-binding written agreements for maintenance and assessments made by the Child Support Agency. Since 6 April 1992 they also apply to court orders or legally-binding written agreements from other countries in the European Union and, since 1 January 1994, payments under court orders or agreements in the European Economic Area (EEA). But payments under court orders or agreements made outside the EEA rarely qualify for tax relief.

If you make enforceable maintenance payments covered by the new rules, you will receive an extra tax-free allowance - the maintenance deduction. This allows tax relief of 15 per cent of payments up to a limit of £1,830 in the 1997-98 tax year, ie a maximum reduction in your tax bill of £274.50. When you come to check TaxCalc's workings in the detailed tax summaries on the 'Tax' menu, this will appear in the 'Allowances and reliefs given in terms of tax' section.

You will receive the extra relief only if the payments are made directly to an ex-spouse who has not remarried, whether it is for their maintenance, or for the maintenance of a child of the family who is aged under 21. The maintenance deduction is not available if the order says that payments are to be made to your children, so make sure the court order directs payments to your ex-spouse.

You cannot claim the maintenance deduction for lump sums paid as part of the divorce settlement (even if they are paid in instalments), or for payments for which you already receive tax relief - for example, mortgage payments.

Paid to ex-spouse - new rules

Enter here the lower of :

> £1,830, **or**
>
> the amount you actually paid between 6 April 1997 and 5 April 1998.

Payments to DSS

You may be required by a Child Support Agency assessment to make payments to the DSS to cover income support paid by the DSS to your ex-spouse. If so, enter the amount paid here. You get tax relief in the same way as if such payments were made direct to your ex-spouse.

If you make payments to the DSS enter here the lower of:

> £1,830, **or**
>
> the amount you actually paid between 6 April 1997 and 5 April 1998.

Old rules - pre-March 1988

The amount of relief you get will be limited to the amount of maintenance on which you had relief in the 1988-89 tax year. So, if you paid £2,000 to your ex-spouse in 1988-89, you will get tax relief only up to a maximum of £2,000 in future tax years, even if you increase your payments later. Tax relief on the first £1,830 you pay is limited to 15 per cent, ie £274.50 deducted from your tax bill. On any amount that you pay above £1,830 you will get tax relief at your highest rate of tax. This is the reason why, when you come to check TaxCalc's workings in the detailed tax summaries on the 'Tax' menu, you will see the first £1,830 in the 'Allowances and reliefs given in terms of tax' section: only the excess will appear under 'Maintenance and alimony' on the first page.

You can elect to switch to the new rules at any time during the tax year for which your election is to apply, or by 31 January 2000 if you want it to apply for the 1997-98 tax year. Get form 142 from your tax office. You also have to inform the recipient in writing.

Once you have switched to the new rules you cannot change back.

Paid to ex-spouse - old rules

Enter the amount you paid to your ex-spouse during 1997-98 and also for the tax year 1988-1989. You will receive tax relief of 15 per cent on the first £1,830, and at your highest rate of tax on any amount of maintenance paid over £1,830. However, the amount of relief you get will be limited against the amount of maintenance which had relief during the 1988-1989 tax year. So, if you paid £2,000 to your ex-spouse during 1988-89 you will get tax relief only up to a maximum of £2,000 in future tax years, even if you increase your payment later.

Direct to children - old rules

Enter the amount you paid direct to your children during 1997-98 and also for the tax year 1988-89. The old rules allow tax relief to be claimed on the lower of :

> the amount paid under a court order to children in the 1988-1989 tax year, **or**
>
> the amount paid in the current year.

You will receive tax relief of 15 per cent on the first £1,830 and at your highest rate of tax on any amount of maintenance paid over £1,830. If tax relief is claimed under the old rules, the maintenance payments to the child will be counted as the child's own income, against which the child's own personal allowance may be used.

A choice to make - new or old rules?

If you pay maintenance only to an ex-spouse and have increased the amount since April 1989, your tax relief will not have been increased to take this extra into account. So, if you are still paying less than the maximum maintenance deduction (currently £1,830) you would get more relief by asking your tax office to move you on to the system applying for agreements made on or after 15 March 1988. But if you are also getting tax relief on payments made direct to a child, you will lose all the tax relief on these payments.

If you have opted to switch to the new rules do not enter anything under 'old rules'. See also Inland Revenue leaflet IR93 *Separation, Divorce and Maintenance payments* for more guidance. The full text of this leaflet is available in the TaxCalc Leaflets section.

> Note
> If you pay maintenance under the old rules, TaxCalc can tell you whether or not you would be better off to switch to the new rules. Once you have saved your data, run TaxSaver to find out.

Opted to switch to new rules

Click this button if you are paying maintenance under a pre-March 1988 order or agreement, but have opted to move to the post-March 1988 rules (ie by claiming the maintenance deduction).

Ex-spouse has remarried

If your ex-spouse has remarried, you lose the tax relief on payments under orders or agreements set up on or after 15 March 1988. So only enter payments made during the tax year **before** the date of marriage. Click this box if your spouse has remarried.

Only complete this section if your mortgage **is not** covered by the MIRAS scheme. The Inland Revenue do not require details of loans in the MIRAS scheme to be given on the tax return.

MIRAS (Mortgage Interest Relief at Source) is the name given to the system under which tax relief is given on most loans by the borrower paying a reduced amount to the lender. You get this tax relief even if you pay little or no tax. The government pays the difference between the net amount you've paid and the gross amount due, direct to the lender.

A few lenders don't have government approval to operate MIRAS. Loans may also fall outside the scheme if part of the loan is for a purpose which does not qualify for tax relief. For more information about loans not in MIRAS, see Inland Revenue Help Sheet IR340, *Relief on loans not in MIRAS.*

Mortgage for your only or main home

If your mortgage is not in MIRAS enter the amount of interest which qualifies for tax relief (your lender should give you a 'certificate of interest paid' which contains this information). You get tax relief, for 1997-98, at 15 per cent of the interest on the first £30,000 of the loan (falling to 10 per cent in 1998-99). Remember only to include the amount of interest which qualifies for tax relief. However, you cannot normally get tax relief on a loan which has to be repaid within 12 months of being taken out. Nor is there any relief on a bank overdraft or credit card debt.

You will then be given the tax relief either by setting the relief due against your tax bill, or by altering your PAYE code. If your income is low, you may not pay enough tax to receive all the tax relief you are due. You may still be able to get the relief by writing, with details of your mortgage to:

> **Financial Intermediaries and Claims Office (FICO)**
> Advice on Schemes
> MIRAS
> St John's House
> Merton Road
> Bootle
> L69 9BB

Name of lender

Enter the name of the lender who granted the mortgage or loan. This information is not needed for the tax return, but TaxCalc requires at least a brief reference here for identification purposes.

Annuity
Click on this box if the loan was taken out to purchase an annuity.

You get tax relief on a loan to buy an annuity providing you are aged 65 or over, the loan is secured on your home, and no less than 10 per cent of the loan is taken as cash. Schemes of this sort are often called ‘home income plans’. The tax relief is limited to 23 per cent of interest on the first £30,000 borrowed. However, this is in addition to the £30,000 to buy your only or main home, and you get the tax relief even if your income is too low for you to pay tax.

Since the tax relief on other mortgages is restricted to 15 per cent, if you click on this box, the interest you enter is adjusted upwards to give you the extra tax relief to which you are entitled. TaxCalc will do this automatically, and you will see the amount entered, multiplied by 23/15, when you come to check TaxCalc's workings in the detailed tax summaries on the 'Tax' menu.

Interest paid
You should enter the amount of interest paid which qualified for tax relief in the 1997-98 tax year.

If you have a joint loan with someone else, only enter the amount of interest for which you are claiming tax relief. Normally tax relief will be split evenly between you, but if you have a joint mortgage with someone to whom you are married you can choose the proportions in which you get the interest relief by filling in Form 15 which you can obtain from your tax office. You can choose to split the relief in the way which is most beneficial - for example, one of you can elect to have all the relief even if the loan in one person's name. However, this has little practical effect now that mortgage interest relief is given as a straightforward subsidy. The only time when it is worth changing the election is when the loan is not in MIRAS and one of you has too little income to set against the loan interest. In this case the one with the highest tax bill should claim the relief.

You get tax relief on contributions you make to certain types of pension scheme, within limits.

Retirement annuity contracts

These are a type of personal pension - sometimes called a section 620 plan - which were available before 1 July 1988. You can contribute up to 17.5 per cent of your net relevant earnings each year (more if you are aged 51 or more), see table of maximum contributions below. Your net relevant earnings are your profit for tax purposes, if you are self-employed (after allowable expenses and deductions): if you are an employee, it means your total before-tax pay including most taxable fringe benefits. However, you can use up unused relief by using the carry back and carry forward of unused relief rules.

You make contributions to these plans gross: the Revenue will claim the tax relief either through your tax assessment (if you are self-employed) or by an alteration to your PAYE code (for most employees). Enter the amount you paid in total to plans of this type.

Personal pension plans

These were first available on or after 1 July 1988. You can contribute up to 17.5 per cent of your net relevant earnings each year (more if you are aged 36 or over) up to a maximum earnings level of £84,000 for 1997-98 tax year, see table of maximum contributions below. (This 'earnings cap' as it is known has increased to £87,600 for the 1998-99 tax year.) Your net relevant earnings are your profit for tax purposes, if you are self-employed (less allowable expenses and deductions). If you are an employee, it means your total before-tax pay including most taxable fringe benefits. However, you can use up unused relief by using the carry back and carry forward of unused relief rules.

Free standing additional voluntary contributions (FSAVCs)

FSAVCs are a way of boosting your pension if you are a member of an occupational pension scheme. An FSAVC allows you to pay additional voluntary contributions but it is independent of your employer, and the choice of pension provider and therefore investment manager is entirely yours. However, the benefits payable from the FSAVC are considered together with your occupational scheme when calculating your maximum benefits at retirement.

All your contributions paid to both your employer's scheme and the FSAVC must not exceed 15 per cent of your pensionable earnings - (in some cases, the maximum earnings which can be taken into account for this purpose is £84,000 in tax year 1997-98 and is £87,600 for tax year 1998-99).

You make contributions to these plans after deducting tax relief at the basic rate. You get this relief even if you are a non-taxpayer or lower-rate taxpayer. Enter the amount you actually paid during the tax year. TaxCalc will gross up any amounts entered here.

If you are a lower- or basic-rate taxpayer there is no further relief to claim, but if you paid higher-rate tax you will be due a further 17 per cent tax relief. TaxCalc will take this into account when calculating your final tax bill for 1997-98.

You are not permitted to have more than one FSAVC in a tax year. However, some insurance companies or pension providers automatically issue a second policy (and policy number) if, for example, you increase your premium during the year. Providing any schemes you contribute to are with the same insurance company or pension provider, the Revenue consider this to be one FSAVC and you should enter the total of all policies or schemes to which you are currently contributing.

You cannot, however, contribute to more than one FSAVC if the policies are issued by different insurance companies or pension providers.

Self-employed contributions to personal pensions

If you are self-employed any contributions you make to a personal pension plan are made gross, and tax relief at your highest rate of tax is claimed via your tax return. If you are self-employed, enter in this section the total payments you made to personal pension plans during 1997-98.

Employee contributions to personal pensions

If you are an employee any contributions you make to a personal pension plan are made net of basic-rate tax relief (23 per cent for 1997-98). If you are a lower- or basic-rate taxpayer there is no further tax relief to claim, however, if you are a higher-rate taxpayer you are still due a further 17 per cent tax relief. TaxCalc will take this into account when calculating your final tax bill.

Enter the total net amount - i.e. the amount you actually paid during the tax year. TaxCalc will gross up any amount you enter here.

Payments made in 1997-98

Enter the amount you paid to each type of plan between 6 April 1997 and 5 April 1998.

1997-98 payments to be carried back

Enter the amount paid during 1997-98 that you wish to carry back to an earlier year. TaxCalc will deduct any amount entered here from your qualifying pension payments for 1997-98 and will not take them into account when calculating your 1997-98 tax liability. If you paid gross, enter the gross amount; if you paid net, enter the net amount (the amount you actually paid).

1997-98 payments used in an earlier year

Enter here any amount paid during 1997-98 for which you have already claimed relief in an earlier year (ie you claimed to have them 'carried back'). TaxCalc will deduct any amount entered from your qualifying pension payments for 1997-98 and will not take them into account when calculating your 1997-98 tax liability. If you paid gross, enter the gross amount; if you paid net, enter the net amount (the amount you actually paid).

Payments brought back from 1998-99

If you have made pension contributions after 5 April 1998, but before the date you send in your tax return, you can claim tax relief for them in the 1997-98 tax year if you wish. 'Carry back', as this is called, allows you to defer your contribution until you know what your net relevant earnings are for the year, and hence the maximum you can contribute. Enter any relevant amounts here.

The tax relief on contributions carried back from 1998-99 to 1997-98 is calculated as if you had actually paid the contributions in the earlier year. However, the Revenue no longer allow you to reduce your overall tax liability for the year by using these contributions, as it would have the effect of reducing your 'payments on account' (if you pay them), for the following tax year. But you can still offset these contributions against your actual tax bill - they are treated as a 'tax credit', to be set against future payments of tax.

If you enter an amount here, TaxCalc will calculate the amount of tax relief due on it, deduct the relief from your tax payments, and enter the tax relief in the appropriate place (box 18.9 of the tax return). You will also see the amount of tax relief you are due under a '1998-99 repayment' on the last page of each detailed tax summary on the 'Tax' menu.

Example

If you are a higher rate taxpayer and paid £5,000 in pension contributions after 5 April 1998 but before you filed your tax return, the tax credit against your 1997-98 tax bill would be 40 per cent of £5,000 ie £2,000. However, your actual tax liability worked out before these contributions were taken into account would remain unchanged - and the payments on account (if you make them) you are due to make for the 1998-99 tax year would be based on the 1997-98 liability. The £2,000 tax relief you are due would normally be set off against your payment of account due on 31 January 1999 (or repaid if no tax is due).

Contributions to employers' pension schemes

Enter here any amount paid to your employer's pension scheme which you have not already included in the Employment section of TaxCalc. TaxCalc will deduct any amount entered here from your 'Gross income' figure, so we suggest you check the Help for Income from Employment before entering any figure here.

Carry back

You can, if you wish, elect to have all or part of a payment made during one year to a personal pension plan or retirement annuity contract allocated to an earlier tax year (provided you have not already paid the maximum permitted for that year). Payments made during 1998-99 may be allocated to:

1997-98 tax year, or

1996-97 but only if you had no net relevant earnings in 1997-98.

See Inland Revenue Help Sheet IR330 *Pension payments* for more details on carry back.

Carry forward of unused relief

If the tax relief you claim for pension contributions in a given tax year is less than the maximum you are permitted to claim for that year, the balance is 'unused relief'. You can carry this unused relief forward for up to six years.

For example, if during 1997-98 you have contributed the maximum amount permitted to either a retirement annuity contract or a personal pension plan, you may be able to pay more into your pension if you have unused relief from any previous year back to tax year 1991-1992. (You can actually go back to the tax year 1990-1991 if you are electing to have all your 1997-98 contributions carried back to 1996-97 - so you are effectively starting six years before the last tax year.) See Inland Revenue Help Sheet IR330 *Pension payments* for full details.

If you wish to claim unused relief you can do so on your tax return. If you are claiming outside your tax return, and are an employee, you will need to complete Form PP42 (available from your pension provider) and send it to your tax office.

Put totals in the relevant boxes. TaxCalc will deal with any amounts entered in the normal way, even if the amount entered is above the maximum amount allowable for your income for this year.

Life insurance

If you are eligible for a retirement annuity scheme or personal pension plan you can use up to five per cent of your net relevant earnings to buy life insurance linked to your scheme or plan. The premiums qualify for tax relief at your highest rate and they count towards your overall limit for pension contributions. If you pay premiums for this sort of insurance, you should include them in the amounts for the relevant plan.

If you have a retirement annuity contract and a personal pension plan

If you contribute to both a retirement annuity contract and a personal pension plan during the same tax year you might find the amount of relief you can get is restricted and it is advisable to check your position before deciding how much you wish to contribute to each plan.

The percentage limits for each type of plan differ. The limits for personal pension are higher but the amount of earnings which count for personal pension is capped. This results in differing amounts of relief for contributions to retirement annuity contracts and personal pension plans.

Relief for payments to retirement annuity contracts is always given before relief for payments to personal pension plans. So relief to retirement annuity contracts may reduce the personal pension plan premium allowable in the year. If you are contributing to both of these types of pension during the same tax year we recommend you obtain Inland Revenue Help Sheet IR330 *Pension payments* which provides more details of how the interaction between the two contracts work. Also, talk to your financial adviser or accountant if you use one.

Maximum contributions

Age at 6 April	Personal pensions limit	Retirement annuity limit
35 or less	17.5%	17.5%
36 - 45	20.0%	17.5%
46 - 50	25.0%	17.5%
51 - 55	30.0%	20.0%
56 - 60	35.0%	22.5%
61 - 74	40.0%	27.5%

P11D

A P11D informs the Revenue about taxable benefits and expenses paid to an employee who earns at a rate of £8,500 or more (form P9D gives similar information for employees who earn less). All employers have to provide copies of forms P11D or P9D to employees by 6 July following the end of the tax year. For the 1997-98 tax year you should get your copy of the relevant form by 6 July 1998.

P60

A P60 is a certificate of pay and tax deducted for the tax year. Employers must provide their employees with their P60 by 31 May following the tax year. So you should get your P60 for the 1997-98 tax year by 31 May 1998.

PAYE Settlement Agreement

This is an arrangement by which your employer can settle your income tax liability on minor benefits in kind and expenses. You do not have to enter any amount paid under a PAYE Settlement Agreement on your tax return.

Self employed people and people in partnership must pay Class 4 National Insurance contributions on profits from any trade, profession or vocation unless they are exempted. The contributions are paid at a rate of 6 per cent on taxable profits between £7,010 and £24,180 for 1997-98. If your profits are less than the lower limit, no Class 4 contributions are due. TaxCalc will calculate the amount of Class 4 contributions you should be paying. Note, though, that if you are asking the Revenue to calculate the tax, the amount of Class 4 NICs will, as the Revenue instructs, not be shown on the supplementary sheet for the individual business or partnership: you can see TaxCalc's calculation of the amount by referring to the Tax Summary.

Exemptions to Class 4 Contributions

You are exempt from paying Class 4 contributions for 1997-98 if you are:

- over the state pension age, that is a man aged over 65 or a woman aged over 60 at 6 April 1997, or
- aged under 16 at 6 April 1997 if the Contributions Agency has granted you an exemption, or
- not resident in the UK for tax purposes during 1997-98

It is possible for certain other people to be exempted from paying Class 4 contributions, check with your local Contributions Agency for further details.

If you are exempt from Class 4 contributions, tick the relevant box (TaxCalc will automatically tick it for you if you are exempt because you are over the state pension age).

> **Note**
> You should give details in additional information as to why you are exempted from Class 4 contributions. Use the 'Additional information' button on the business or partnership **Details** screen.

Deferred contributions

Sometimes, where both Class 2 and Class 4 contributions could be due, Class 4 contributions may not be payable. In these circumstances the Contributions Agency may agree that your Class 4 contributions can be 'deferred' until such time as your overall contributions can be agreed. Only the Contributions Agency can agree to deferment and the Contributions Agency leaflet NP18 gives further details.

If your contributions for this business have been deferred tick the relevant box.

> **Note**
> You should give details under additional information as to why your contributions have been deferred (TaxCalc will do this for you if you are exempt because you are

over state pension age). Use the 'Additional information' button on the business or partnership **Details** screen.

Adjustments to profit chargeable for Class 4 contributions

You may be able to deduct an amount here to account for any interest or trading losses of this business or partnership which you have not yet already entered as a deduction from your profits. If so you should enter the figure here. TaxCalc will reduce your profit by this amount when working out how much Class 4 NICs you are due to pay. See the Inland Revenue notes which accompanied the self-employment or partnership supplementary pages for more information on this adjustment, or speak to your tax office who will be able to tell you whether this adjustment applies to you.

Complete the name, address, postcode and telephone number of the partnership and give a brief description of the type of business the partnership conducts. If you use an agent (eg your accountant) give their telephone number on this screen, and type in their name and reference under 'Additional information'.

Accounts

You may not need to have accounts prepared for your partnership each year. If you do not, and you do not have an accountant, Inland Revenue Help Sheet IR222 *How to calculate your taxable profits* will help you to work out your taxable profits.

What to do next

Work through the following steps before going on to complete the partnership return section.

Step 1 Identify the partnership accounting periods ending between 6 April 1997 and 5 April 1998

Step 2 If details of any of the accounts ending in that period were included in last year's partnership tax return you do not need to provide the same information again. See 'Not required to give full details'.

Step 3 Otherwise enter details from the accounts identified from Step 1 in the Partnership Return section

Step 4 If no accounts end in the period 6 April 1997 to 5 April 1998 you should tick the 'Details not required' box and explain why in the additional information box.

Step 5 If the partnership received taxed interest include in **Other**

income/deductions screens the interest received between 6 April 1997 and 5 April 1998. If the partnership accounts are not drawn up to 5 April 1998 you will need to extract the details from those accounts which between them cover the period 6 April 1997 to 5 April 1998.

Accounting period

Enter here the start and end date for the period to which the information you enter relates.

The accounting period is the period the partnership accounts cover; the accounting date is the last day of the accounts. For example, if accounts are drawn up each year to 31 December, the accounting period for the 1997-98 tax year is the 12 month period 1st January 1997 to 31st December 1997 and the accounting date is 31st December 1997.

Date commenced

You only need to put this date in if the partnership started up after 5 April 1994.

Date ceased

You only need to put this date in if the partnership ceased before 6 April 1998.

Capacity in which signing

This should be completed if the tax return printed out by TaxCalc will not be signed by the person to whom it relates, for example if it covers the income of someone who died in the tax year. Type in the capacity in which the signatory is acting - for example, 'executor', 'receiver'. You must also type in the signatory's name and address, and the name of the person for whom they are signing, under 'Additional information'.

Note that you can sign a return for somebody else only if that person is physically or mentally incapable of signing, and you have an appropriate power of attorney or you are (in Scotland) a curator bonis. You cannot sign merely because the other person is unavailable. Check the notes to the tax return for more details.

Not required to give full details

Click this box if you are not required to complete information about the partnership's turnover, expenses, capital allowances and profit. You may not be required to complete this information if any of the following applies:

- no accounts end in 1997-98 or
- the partnership has succeeded to a business previously carried on by a sole trader and the accounts information has been included in that person's tax return or
- the partnership's annual turnover exceeds £15 million.

Accounts do not run from last accounting date

Click this box if there is a gap between the end of the previous accounting period and the beginning of this one. You will need to explain why in the 'Additional information' box.

Accounting date has changed

Click here if the partnership has changed its accounting date, and you want it to be a permanent change for tax purposes. This may affect the individual partners' basis periods. See Inland Revenue Help Sheet IR222 *How to calculate your taxable profits* and 'Change of accounting date', below.

Change of accounting date

A change of accounting date may be desirable for good commercial reasons but the tax rules are complicated.

A change may result in some profits being assessed twice creating overlap relief for which relief may not be obtained until the business ceases or you cease to be a partner. Alternatively, profits for a period longer than 12 months can become assessable but be reduced by the setting off of existing overlap relief - which might or might not be advantageous.

Unless you are sure you understand all the implications involved it may be worthwhile seeking advice from a professional tax adviser.

For partnerships the underlying principle is that the partnership must apply the rules as if it were an individual. If the relevant conditions are satisfied each partner will use the 'new' date to work out their own basis period for the year of change.

Second or further change of accounting date

Click this box if it applies to the partnership. You should explain why it has changed, in the 'Additional information' section.

Details on page 1 of the return are wrong

Click this box if any of the details shown on the first page of the partnership return received from the Revenue, for example, the address, are wrong. Enter the correct details in TaxCalc.

Figures are provisional

Final accounts may not be available for your partnership. If so, you should enter provisional figures where necessary and click on the 'additional information' box to enter the reason why. Also give a date by which you expect to provide final figures. If the provisional figures mean that you find, when the full information is available, that you have paid too little tax, you will have to pay interest on the outstanding amount. However, you will have avoided the penalties and surcharges arising from not having sent your return in on time - and if it turns out that you have paid too much tax, you will receive interest on the amount overpaid.

Applied anti-avoidance rules in calculating overlap relief

Transitional overlap relief compensates partners in business which were previously taxed on the old 'previous year basis' for the way the new rules deal with the calculation of profits when partners, or businesses, ceases.

There are rules which prevent exploitation of the relief. If the rules apply to you, you can escape penalties if you tell the Revenue that they apply by clicking here. If you are unsure of whether these rules apply to the partnership, check with your tax office or your tax adviser if you have one. If you click here, you should also type in your adjusted profit figure, after applying the special rules, under 'Additional information'.

Additional information

There may be additional information you need to give to the Revenue, or you may need to explain any of your figures in more detail. For example:

- details of any significant or unusual items (either income or expenditure) included in your figures, or
- details of receipts of expenditure connected with your business which for any reason are not included in your figures, or
- an explanation of any tax adjustment to your net profit when the reason is not apparent from these figures, or
- an explanation of any items which are not included in the standard accounts information but which affect the partnership's taxable profits
- details of any estimated or provisional figures, the reason why they are estimated or provisional, and the date by which final figures will be available.

Complete this screen if you are using TaxCalc to produce a partnership tax return. Read all the questions on this screen and click any that apply to your partnership. Please note that if you do need to click on any of these boxes, OTHER THAN the box asking 'was the partnership involved in a trade or profession, it shows that you must also complete one of the partnership supplementary pages. TaxCalc does not currently include these, or the full version of the partnership statement or individual partnership income supplementary pages. You will need to order these from the Revenue Orderline (if you do not already have them) and complete them manually.

Filling in the partnership return section of TaxCalc

A partnership return must be completed by one nominated partner on behalf of the partnership as a whole, and each individual partner must complete a set of partnership supplementary pages to go with their own personal tax return. TaxCalc will allow you to complete both the partnership return and the individual partner's supplementary pages. Note, though, that TaxCalc currently deals with only the SHORT version of the partnership return for partnerships with only trading or professional income plus taxed interest.

Go through all the screens in this section if you are completing the partnership return on behalf of the whole partnership, ie you are the 'nominated partner'. See below if this applies to you. If you are not using TaxCalc to complete the partnership tax return, you can go straight to the Partnership income section of TaxCalc.

Who completes the partnership return?

Only one partner needs to complete and sign the partnership return. This will be:

- the partner named on the front of the form, or
- the partner nominated by the partners (or by the tax office for the partnership), or
- if the return is for a European Economic Interest Grouping (EEIG) registered in Great Britain or Northern Ireland then the return should be completed by the manager, or
- for other EEIGs, the person to whom the tax return is addressed.

Even though only one partner completes the partnership return, all the partners are responsible for its accuracy.

The documents and papers you will need to complete these sections are:

- your partnership accounts for the accounting period ending in the 1997-98 tax year
- your books and records, if you do not have accounts.

You should have records of all the transactions for the partnership. You must keep these until at least 31 January 2004 in case your Tax Office asks to see them.

Enter the details of your tax office and the tax reference for your partnership. Most of this information will be found on the front of the tax return. You will also need to give the Inland Revenue's 'unique taxpayer reference' (which is a 10 digit number) from the front of the partnership tax return. Enter this in the 'Official use' box.

Turnover
Expenses

If you have accounts, they may include a balance sheet in which case you should simply copy the entries on your balance sheet to this screen. TaxCalc will transfer the information on this screen to page four of the self-employment supplementary pages.

If you do not have a balance sheet, or your turnover was less than £15,000, or you clicked the 'Full details are not required' box on the **Details** screen, you do need not complete this screen.

Make sure that you have transferred all the figures to the summary and that each is included only once. Do not include any figures that do not appear on your balance sheet.

You should use your judgment to transfer the figures from your accounts to the most appropriate boxes. Depending on the circumstances of your business, certain elements in the balance sheet may appear either as assets or as liabilities. For example, a bank account with business funds in it will be an asset, while an overdrawn account will be a liability. For the former, enter the balance under 'bank/building society balances'. For the latter, enter the balance in 'loans and overdrawn bank accounts'.

Other items that might be affected in this way are most commonly the Capital Account balances and the net profit or loss. Where a balance on the Capital Account is overdrawn, or the business made a net loss in the year, you should enter the amount as a minus figure.

Any additional information which may be necessary should be entered in the 'Additional information' box.

When the partnership buys 'capital assets' - ie items not for resale and of lasting use to the partnership, such as computers or cars - you do not simply deduct their cost from profits at the time you buy them. Instead, for tax purposes, you claim capital allowances. Capital allowances are worked out by adding the cost of each capital asset to a 'pool of expenditure'. You can then deduct a set percentage of the value of the pool at the end of each year from your tax assessment as a 'writing-down allowance'. Normally, the writing-down allowance is 25 per cent of the value of the pool, but for small and medium-sized businesses and partnerships (see definition below) buying machinery or plant in the 12 months to 1 July 1998 a special allowance of 50 per cent applies in the first year after purchase.

You are within the small and medium-sized category if :

your partnership has a turnover of not more than £11.2 million

your partnership assets are not more than £5.6 million and

your partnership does not employ more than 250 employees.

When the partnership sells or gives away something on which it was receiving capital allowances, or begins to use it for non-business purposes, there may be a balancing adjustment, known as a 'balancing charge'.

Note
Working out the detailed rules for capital allowances can be tricky: If you have not got an accountant you should consult a good tax book. If you want TaxCalc to get as close as possible to your tax liability, you will need to enter your best estimate here. Inland Revenue Help Sheet IR222 *How to work out your taxable profits* will help you.

Warning
In past years it was common for each partner to claim for some items of the partnership's capital expenditure in their individual returns (such as the cost of using their own car for business). That practice is no longer acceptable to the Revenue. All such expenses should be included in the partnership accounts, or at least, taken account of in the calculation of the partnership profit and of each partner's share. Give details under 'Additional information' in the **Details** screen.

Capital allowances

Enter your writing-down allowance here. Note that separate pools of expenditure must be kept for cars (but not lorries or vans) and for assets used for private and business purposes (you get the proportion of the writing-down allowance equal to the business use). Cars which cost £12,000 or more must be recorded in individual pools and there's a £3,000 maximum yearly allowance.

You can elect for many capital items with an expected life of less than five years - eg computers - to be treated as 'short-life assets'. Each one is put into its own pool of expenditure, and provided it stops being used in the business within five years, you get immediate tax relief for any loss on disposal.

Balancing charges

If a partnership capital asset is sold, the sale proceeds (or original cost, if less) are deducted from the pool before the writing-down allowance is worked out. If the proceeds of all the items sold by the partnership come to more than the value of the pool, the excess (called a balancing charge) is added to the partnership profits for the year, and taxed.

If the partnership sells an item for less than its written-down value, tax relief cannot normally be claimed on the loss until the partnership ceases and all the assets in the capital pool are sold. The partnership can claim relief earlier than this, if you have elected to have the item treated as a short-life asset and it is disposed of within five years of its acquisition.

If a balancing charge occurred on any of the partnership's 'pools', enter the amount in the relevant box. This will be added to your net profit.

Partnership tax return
Partnership statement
Partnership income supplementary pages

If you are a partner in a partnership, there are two main tax forms you will come across: the partnership tax return (which includes the partnership statement) and the partnership income supplementary pages. This section relates to the partnership return and includes the following screens:

- Summary
- Details
- Tax office details
- Income and expenses
- Capital allowances
- Other income/deductions
- Balance sheet
- Statements

The partnership tax return

This collects the information needed to calculate the profits or losses made by the partnership as a whole, together with details of any interest the partnership receives after tax: there are supplementary pages to be completed if the partnership receives any other type of capital gain or income. The Partnership tax return is available only in the TaxCalc Plus version of TaxCalc: the supplementary pages are not currently covered by either version.

If you are using TaxCalc to complete a partnership tax return, the bullet points in green above will take you to the help sections for the relevant screens.

The partnership statement

The statement informs the Revenue how the partnership's profits or losses are shared out between the partners. The partnership statement is dealt with on the **Statements** screen in the Partnership Return section of TaxCalc Plus: it is not available in the standard TaxCalc package. Note, though, that TaxCalc Plus currently deals with only the short version of the partnership statement, included in the partnership tax return. It does not cover the separate version for partnerships which have to complete supplementary pages.

The partnership income supplementary pages

These must be filled in by each individual partner, as supplementary pages to his or her own individual tax return. To complete these, go to the Partnership income screens in the Tax document section of TaxCalc. The Partnership income screens collect the information needed to work out an individual's own taxable profits or losses from the partnership which will be taxable in the 1997-1998 tax year, after taking into account various reliefs and adjustments. Note, though, that TaxCalc currently covers only the short version of the supplementary pages, not the full version for partnerships which had income other than trading income and taxed interest.

Enter on this screen your expenses for the relevant accounting period. If your annual turnover is less than £15,000, you have a choice. The Inland Revenue allows you to give only 'three line accounts', that is, the partnership turnover, allowable expenses, and profits. You can, however, give fuller information in the same way as larger partnerships, if you prefer.

If you are entitled to give only three-line accounts, you need only complete the 'Overall total expenses' box. Include only expenses which are allowable against tax. Exclude capital allowances - these should be entered on the **Capital allowances** screen.

If the partnership turnover is £15,000 or more, you must break down the expenses as requested in each box. Enter the total amount of the expenses you incurred for each category in the right-hand column. For more information see 'Disallowable expenses' and 'Total expenses'. Also see the notes on filling in the Partnership Return which accompanied your tax return. These provide specific information on each item.

> Warning
> In past years it was common for each partner to claim for some items of 'partnership' expenditure in their individual returns (such as the cost of using their home for business). That practice is no longer acceptable to the Revenue. All such expenses should be included in the partnership accounts or, at least, taken account of in the calculation of the partnership profit and of each partner's share. Give details under 'Additional information' in the **Details** screen.

Disallowable expenses

Some of the amounts you will include as partnership expenses may not be allowable for tax purposes. As you enter the expense, you must also enter any part of the expense which is 'disallowable'. Sometimes an expense may be totally disallowable such as entertaining expenses or depreciation of fixed assets (although the latter may be allowable as capital allowances.) Sometimes only a portion of an expense may be disallowable, for example if you use your car for private use, part of the total expense (the part which relates to your private use) will be disallowable for tax purposes. In this case you should enter the full amount paid out under 'Total expenses' and the part of the expenses which you cannot claim against tax in the 'disallowable expenses' column.

Total expenses

You should enter the partnership's total expenses for each category in this column. You can include any business expenses incurred during the relevant accounting period, according to the date they were invoiced to you (unless the Revenue has agreed that you should be taxed on a cash basis - but see the help section for the **Turnover** screen). If any part of the expense does not attract tax relief, enter that part under the Disallowable expenses column - but make sure you put the total amount of the expense here.

Construction industry subcontractor costs

Enter all payments to subcontractors in the construction industry. If any tax has been deducted on payments made to uncertified subcontractors, show the amount paid before deduction of tax. Any payment you made which related to non-business work should go in the 'Disallowable expenses' column.

Other direct costs

These are expenses deducted to arrive at the partnership's gross profit which may not come under one of the other specific headings. For example, direct labour costs, carriage, machine hire, small tools and consumables. If your partnership provides services, it may incur rechargeable expenses, which are deducted to arrive at a figure of gross profit.

Depreciation of fixed plant (assets) would be entered here but note, this is not an allowable expense for tax purposes so you will also have to enter any amount for this kind of depreciation in the 'Disallowable expenses' column.

Partnership charges

Amounts paid under an annuity or covenant are not allowable as an expense for tax purposes, even if they are paid for wholly commercial reasons in connection with the partnership trade or profession (for example, to compensate a retiring partner). Any such amounts included in your accounts, should be entered in the last box under the 'Disallowable expenses' column. However, individual partners can claim relief for their share of any trade charges. Make sure the overall amount is entered on the **Other income/deductions** screen and the individual partner's share is entered in the **Charitable covenants** screen in the Reliefs section of TaxCalc.

Additional information

There may be additional information you need to give to the Revenue, or you may need to explain any of your figures in more detail. For example.

- particulars of any significant or unusual items (either income or expenditure) included in your figures, or
- details of receipts of expenditure connected with your business which for any reason are not included in your figures, or
- an explanation of any tax adjustment to your net profit when the reason is not apparent from these figures, or
- an explanation of any items which are not included in the standard accounts information but which affect the partnership's taxable profits.

You should complete this screen if the partnership (not the individual partners) received other income not already included elsewhere in TaxCalc, and that income was interest with tax deducted, from banks, building societies or deposit takers. If the Partnership's additional income was not from this source, you will not be able to use TaxCalc to complete your return. See 'Any other income received not already entered'.

Also complete this screen if the Partnership is a subcontractor in the building industry and received some payments under the Construction Industry Tax Deduction Scheme, or if the partnership paid out amounts under an annuity or covenant.

UK interest paid net

You should include in this section any interest paid to the partnership from UK banks, building societies, and deposit takers. Include only interest where tax has already been deducted before the partnership received it and include the total interest received by the partnership from 6 April 1997 and 5 April 1998. The partnership's bank, building society or deposit taker's statement or pass book will usually show you the amount of interest after tax, the amount of tax deducted and the amount of interest before tax was deducted. Add up the amounts for the year ended 5 April 1998 for all the partnership's accounts. Enter the totals in the relevant boxes.

> Warning
> Note that all the amounts you enter on this screen should be for the tax year, ie not the partnership's accounting period.

Cash received from building society mergers

If the partnership received cash as a result of two or more building societies merging, or received cash or shares (or both) as a result of either:

- a conversion of a building society to a company, or
- a take-over of a building society by a company

then there may be a liability to either income tax or capital gains tax. The building society may be able to tell you whether there is any tax liability. If not, you should ask your Tax Office or accountant.

If the partnership received cash from this source, and the payment is liable to income tax (which is likely if it was received following a building society merger) then you can enter it here. If no tax has been deducted then enter the amount received under 'gross amount'. If you are not sure whether the amount received is taxable then include it here then go back to the **Details** screen and tick the box called 'figures are provisional'. Then give details in the additional information section - also available on that screen.

Subcontractors in the construction industry

You only need to complete this box if you are a subcontractor in the building industry. Subcontractors may have received some payments under the Construction Industry Tax Deduction Scheme. If you have, enter here the total of the deductions made on account of tax from payments made to you during the period 6 April 1997 to 5 April 1998.

These tax deductions should also be shown on forms SC60, which you should have received from the businesses or organisations you have worked for. Your SC60s must be sent with your tax return to the Inland Revenue. If you do not have an SC60 and cannot get one from the contractor, you should enter details of the payments and the name of the contractor in the Additional Information box on the Partnership **Details** screen. If you show SC60 tax deducted and do not either attach the SC60s or provide the information, you return is likely to be rejected which could lead to a late filing penalty if the deadline is close.

Partnership trade charges

Some partnerships make payments under a deed of covenant or in the form of an annuity, for example to pay a retiring partner for his or her share in the increased value of partnership assets. Such payments do not count as an allowable expense for the partnership, but individual partners can claim tax relief for their share.

These payments are usually made after the deduction of basic-rate tax. Enter here the net (after tax) amount paid during the period 6 April 1997 to 5 April 1998. If you are also using TaxCalc to complete a tax return for an individual partner, remember also to enter the net amount with charitable covenants in the Reliefs section.

Any other income not already entered elsewhere

If your partnership received other income, already entered elsewhere in the Partnership Return section of TaxCalc, for example income from property or income from savings or investments other than taxed interest from banks, building societies or deposit takers, then you need to enter this on special supplementary pages. These are not currently available on TaxCalc.

This screen summarises the figures for the 1997-98 tax year apportioned to each partner. If you are the ‘nominated' partner and have completed the partnership tax return on behalf of the partnership as a whole, you need to enter details for each of the partners within the partnership. Use one screen for each partner (including yourself) by using the ‘add partner' button.

Partnership statement (short)

Enter here the information required by the short version of the Partnership Statement, which is included in the partnership tax return. This short version only covers trading and professional income, and taxed interest from banks, building societies or deposit takers. If your partnership had income from another source you will need the full partnership statement, available from the Inland Revenue orderline: TaxCalc can only deal with the short partnership return. Enter details separately for each individual partner by using the ‘add partner' button.

> Note
> Enter the basis on which the profits etc. are shared under 'Additional information'. If this is a simple percentage basis, just give the percentage: otherwise you will need to give fuller details, for example if a partner is entitled to a fixed share or salary.

Individual partner details

Enter the partner's name, address, postcode, tax reference and national insurance number.

If joined/left partnership in 1997-98

If this applies, enter the relevant date. This may affect the individual partner's 'basis period'.

Partner's share of profits etc

Enter here the relevant amounts allocated to each partner under the various headings. The notes accompanying the Partnership tax return (pages 12,13,14) can give you more information about how to fill in the Partnership Statement. Also, see context-sensitive help in the Partnership income section of TaxCalc, (which deals with partnership income for individual partners), in particular the **Profit** and **Losses/deductions** screens.

Partnership trade charges

Although amounts paid under an annuity or covenant are not allowable as a partnership expense for tax purposes, individual partners can claim relief for their shares of any trade charges actually paid during the tax year. You should enter here each partner's share of the net amount of trade charges paid for wholly commercial reasons in connection with the

partnership trade or profession during the period 6
April 1997 to 5 April 1998.

Additional information

You should enter here the total transitional overlap profit available to the members of the partnership. There may also be additional information you need to give to the Revenue, or you may need to explain any of your figures in more detail. For example.

particulars of any significant or unusual items (either income or expenditure) included in your figures, or

details of receipts of expenditure connected with your business which for any reason are not included in your figures, or

an explanation of any tax adjustment to your net profit when the reason is not apparent from these figures, or

an explanation of any items which are not included in the standard accounts information but which affect the partnership's taxable profits.

Turnover

Accounts normally have to be kept on an 'accruals' basis. This means that income has to be included in your accounts according to the date an invoice is issued - or the income is actually earned, regardless of whether any payment has been received. Some small traders can work on a cash basis instead, but only with the Revenue's approval. Some professionals in partnership were also permitted to work on a cash basis, but legislation is proposed to withdraw this practice. The new rules which are to be included in the 1988 Finance Bill means that the first tax year affected will be 1999-2000. There will be transitional provisions. Check with your tax office if you are not sure whether the change will apply to your partnership.

Enter your turnover for the partnership in the relevant accounting period and any other taxable business receipts on this screen. If the annual turnover for this partnership is less than £15,000 you have a choice. The Inland Revenue allows you to give only 'three line' accounts, that is, turnover, your allowable expenses, and the partnership profits. you can, however, give fuller information in the same way as larger partnerships if you prefer. Note that 'annual turnover' is the amount assuming your accounting period ran for a full 12 months - if it did not, the £15,000 limit is reduced (if it was shorter), or increased (if it was longer). TaxCalc automatically works out the 'annual turnover' limit, depending on the length of your accounting period, and will warn you if you enter the limited information required for three-line accounts, but you breach the £15,000 limit. TaxCalc will also enter your information in the correct place on the tax return.

If you are entitled to give only three-line accounts, you need only complete the 'Turnover' box on this screen, but you should include in the figure you enter any other business income, together with the value (normal selling price) of all goods taken out of the partnership for your personal use, or for your family or friends (less anything you paid for them). Exclude balancing charges - these should be entered on the **Capital allowances** screen.

If the annual turnover for this partnership is £15,000 or more, you must give the further details requested in the boxes.

VAT

Since 1 December 1997 your partnership was liable to be registered for VAT if, at the end of any month, the taxable turnover of all the partnership's business activities in the year ending on the last day of that month exceeded £49,000. Between 27 November 1996 and 30 November 1997 this limit was £48,000. However, if you can satisfy Customs and Excise that your taxable turnover due in the next 12 months will not exceed £47,000 (was £46,000 between 27 November 1996 and 30 November 1997), then you won't have to register.

At £49,000 and under it is up to you whether to register. Registration can cut your costs, but it requires more record-keeping. Contact your local VAT office (under Customs and Excise in the phone book) for more details.

If you are not VAT-registered, you cannot claim back VAT on things you buy for the partnership, but you can use prices including VAT when working out your allowable expenses and capital allowances for income tax.

If you are registered for VAT you can enter details of business income and allowable expenses either all net of VAT or all inclusive of VAT.

If you choose to show income and expenses inclusive of VAT then include your net payment to Customs and Excise as an expense under 'Other expenses' in the **Expenses** screen.

Any net repayment you receive from Customs and Excise should be included as a taxable receipt in the 'Other income/profits' box on this screen.

You may have bought capital equipment on which you are claiming capital allowances instead of deducting them as expenses. If you are entering VAT-inclusive figures, you should add the VAT to the amount entered in 'Other expenses' on the **Expenses** screen or (if you received a net refund from Customs & Excise) deducting it from the figure entered in box 'Other income/profits' on the screen. Also write in the amount of VAT on capital items under 'additional information' on the partnership **Details** screen.

If you enter details of your income and expenses inclusive of VAT, make a note of the VAT payable on 'capital items'. These might include business premises, plant machinery, vehicles etc. Enter these as additional information using the 'Additional information' button on the partnership **Details** screen. You should also tell the Revenue, using the 'Additional Information' button, if you either registered or deregistered for VAT during the period. Give the date it took effect and whether sales and expenses while you were registered were inclusive or exclusive of VAT.

> Warning
> If your turnover was less than £15,000 and you are submitting 'three line' account information only, do not enter figures into the next three boxes. You also do not need to confirm whether your figures are inclusive or exclusive of VAT.

Other income/profits

Enter here any other business income, included in the partnership accounts, which you did not include as turnover in the box above but be careful - most other types of income should be elsewhere in the partnership section of TaxCalc. If so, make sure you also enter it in the box 'Deductions from net profit', lower down on the screen, otherwise you will be taxed twice on it.

Goods taken for personal use and other adjustments which increase profits

You must make adjustments to your profits for goods taken out of the business for your personal use, or for your family and friends. Enter here the normal selling price of all goods taken out for such use, minus the price, if any, which was paid for them and has been included in the turnover figure given above.

Deductions from net profits (other than expenses)

Use this box for adjustments to any amounts you took into account in arriving at the partnership's net profit or loss but which are either not taxable receipts or are not taxed as profits from the partnership's trade or profession. Any taxable income entered in both 'Other income/profits' above and elsewhere on the partnership return, should be put here so that you do not pay tax twice on these amounts. See the notes that accompanied your Partnership supplementary pages for more information. Any amount entered here TaxCalc will deduct from your net profit (or add to your loss if applicable).

As a partner in a partnership, you are effectively treated for tax purposes in the same way as a sole trader, with your business profits or losses consisting of your share of those made by the partnership. The Inland Revenue tends to call this your 'notional business'. Some of the tax reliefs and allowances which a sole trader can claim are claimed by the partnership, such as tax-allowable expenses and capital allowances, in calculating the partnership profits. The partnership's profits and losses are then split between the individual partners, normally in line with the partnership profit-sharing agreement, but subject to various adjustments for tax purposes in a few cases. But, as an individual partner, you may then have to make adjustments to their share of these profits and losses to reflect:

- The fact that your own basis period may be different from the partnership's accounting period. For example, if you have just joined the partnership, the tax system has special rules for the amount of profits on which you are taxed you may be taxed on a different basis from the other partners. You may have make an adjustment to your share of the profits/losses to reflect this: you may also be able to claim overlap relief if the rules for basis periods mean that you have been taxed twice on the same set of profits
- Other types of income/deductions which count as your individual profits, rather than as those of the partnership
- What you want to do with your share of any losses made by the partnership. Once allocated to you, you have your own set of choices about whether you want to set them against your other income for the year, or carry them forward or, in certain circumstances, carry them back. Obviously, you may decide to set off your losses in a different way from other partners
- Class 4 National Insurance Contributions. These are based on your own profits from all businesses and partnerships.

Partnership name and reference number

Enter the name of your partnership and the reference number which can be located on the front of the partnership tax return. The partner nominated to complete the partnership tax return should be able to give you this reference number.

Partnership trade or profession

Enter here the trade or profession you are engaged in.

If you joined/left partnership

If this applies to you, enter the relevant dates.

Amounts not in partnership accounts needed to calculate your taxable profit

There are some types of income which are counted as part of your business profits for tax purposes, but which cannot be reduced by business losses. An example might be Enterprise Allowance or some other forms of business start-up grants. Enter the amount of any such income here. Note, though, that it is the amount received in the 1997-98 tax year which you should enter, *not* the amount for your tax basis period.

If you are unsure whether business income you receive falls within this category, speak to your tax inspector or a Tax Enquiry Centre before completing.

Basis period explained

You pay tax for 1997-98 according to the profits, or losses, for your basis period.

Each individual partner is assessed on their share of partnership income as if it were from an individual business of their own. As a result, each partner has an individual basis period, instead of one basis period which applies to the partnership as a whole. This means it is possible for partners to have different basis periods and this usually happens when one partner joins or leaves the partnership.

After the first year or two in partnership your basis period will be the 12 month period up to the date chosen as the annual accounting date of the partnership, unless the accounting date is changed, the partnership ceases or you leave the partnership.

Assuming that all partners joined at the same time (and will therefore all have the same basis periods) and the partnership is still trading at 5 April 1998, the 1997-98 basis periods for those partners can generally be worked out at follows:

- if the partnership started up during the period 6 April 1995 to 5 April 1996, your basis period is the 12 months to the accounting date in 1997-98 unless you changed accounting date during 1997-98, see Change of accounting date.
- if the partnership started during the period 6 April 1996 to 5 April 1997, your basis period will be one of the following unless you have changed accounting date during 1997-98, in which case it will usually be the 12 months running up to the new accounting date - see Change of accounting date.
  - if the accounting date in 1997-98 is 12 months or more after the date on which the partnership started, your basis period is the 12 months to the accounting date
  - if the accounting date in 1997-98 is less than 12 months after the date on which the partnership started, your basis period is the 12 months beginning on the date the partnership started.
  - if the partnership does not have an accounting date which falls in the tax year 1997-98, your basis period is the 12 month period 6 April 1997 to 5 April 1998.

If you joined or left the partnership between 6 April 1997 and 5 April 1998, you will need to work out your basis period carefully as it may differ from the partnership accounting period.

If you left, or the partnership ceased during the period 6 April 1997 to 5 April 1998, your basis period will begin with the day following the end of your basis period for 1996-97 and end on the day you left the partnership.

Basis period start/end

Enter the relevant dates for the basis period which applies to you.

Add Partnership

If you are a partner in more than one partnership, you should enter the details relating to each partnership separately, using the Add Partnership button.

Additional information

There may be additional information you need to give to the Revenue, or you may need to explain some of your figures in more detail. For example:

- particulars of any significant or unusual items (either income or expenditure) included in your figures, or
- details of receipts of expenditure connected with your business which for any reason are not included in your figures, or
- an explanation of any tax adjustment to your net profit when the reason is not apparent from these figures, or
- an explanation of any items which are not included in the standard accounts information but which affect the partnership's taxable profits.

Partnership tax return
Partnership statement
Partnership income supplementary pages

If you are a partner in a partnership, there are two main tax forms you will come across: the partnership tax return (which includes the partnership statement) and the partnership income supplementary pages. This section relates to the partnership income supplementary pages and includes the following screens:

- Details
- Profits
- Losses/deductions
- Class 4 NICs

The partnership tax return

This collects the information needed to calculate the profits or losses made by the partnership as a whole, together with details of any interest the partnership receives after tax: there are supplementary pages to be completed if the partnership receives any other type of capital gain or income. If you have TaxCalc Plus, the partnership tax return is covered in the Partnership Return section: it is not available in the standard TaxCalc package. The supplementary pages are not currently covered by either TaxCalc package.

The partnership statement

The statement informs the Revenue how the partnership's profits or losses are shared out between the partners. If you have TaxCalc Plus, the partnership statement is dealt with on the **Statements** screen in the Partnership Return section: it is not available in the standard TaxCalc package. Note, though, that TaxCalc Plus currently deals with only the short version of the partnership statement, included in the partnership tax return. It does not cover the separate version for partnerships which have to complete supplementary pages.

The partnership income supplementary pages

These must be filled in by each individual partner, as supplementary pages to his or her own individual tax return. To complete these, go to the Partnership income screens in the Tax document section of TaxCalc. The bullet points in green above will take you to the help sections for these screens. Most of the information you need to complete these pages will be shown in your copy of the partnership statement.

The Partnership income screens collect the information needed to work out your own taxable profits or losses from the partnership which will be taxable in the 1997-1998 tax year, after taking into account various reliefs and adjustments that you might have as an individual. Note, though, that TaxCalc currently covers only the short version of the supplementary pages, not the full version for partnerships which had income other than trading income and taxed interest.

Losses and how to use them

If you have made a loss from this partnership in the 1997-98 tax year, you have a choice of how to use it. You can use losses to reduce your overall tax liability in this year; your future profits from this partnership; or even, in some circumstances your overall tax liability in earlier tax years. Your choice does not have to be the same as that of the other partners, because each partner is treated as someone running their own separate business.

TaxCalc can show you the effect of the various options on your tax bill for 1997-98 - but because TaxCalc does not have data for earlier and future years, it cannot tell you which option will save you the most tax overall. If you are unsure how best to use your losses, it might be worth getting professional help from a tax adviser.

The amount of losses allocated to you is shown on the partnership statement. To see the effect of the various options, you can try entering your losses in alternative boxes, to see which of the options open to you will save you the most tax.

> Warning
> You do not have to claim your loss immediately. You can wait and tell the Revenue your choice later, by letter. But you must claim your loss by 31 January 2000 (31 January 2004 if carrying losses made in 1997-98 forward to future years), otherwise you will lose them. Where your loss can be claimed against more than one category of income, and is sufficiently large, you can choose the order in which it is set against the various categories of income, but the whole of that category of income must be reduced to zero before you claim relief against another category. See Inland Revenue Help Sheet IR227 *Losses*, for more information.

Allowable loss for 1997-98

If the partnership made a loss for 1997-98, enter here the amount of loss apportioned to you (as shown on the partnership statement). Note that if the accounting period for the partnership is not the same as your basis period, you need to make an adjustment to the figure you enter here, as explained in Adjustment if your basis period differs. Enter the amount of the adjustment in the 'Adjustment' box on the **Profits** screen.

Share of tax deducted from interest

If the partnership received any interest from banks, building societies or deposit takers, where tax has been deducted, you are entitled to a share of the tax to set against your own tax bill. The amount will be shown in your copy of the partnership tax statement.

Share of SC60 subcontractor's deductions

You only need to complete this box if your partnership is a subcontractor in the building industry. Subcontractors may have received some payments under the Construction Industry Tax Deduction Scheme. If this applied to your partnership, enter here your share of any deductions made on account of tax from payments made to you during the period 6 April 1997 to 5 April 1998.

Loss offset against other income from 1997-98

If you want to offset part of any loss made in 1997-98 against your other income, enter the amount here. TaxCalc will deduct this amount from your overall tax liability.

Loss to carry back

You can carry back losses to an earlier year only if you are running your partnership commercially for profit and:

- either the partnership ceased in 1997-98 or
- the partnership is in its first four years of tax assessment (ie it started up after 5 April 1994).

Note

If you have already claimed to offset this loss, you should still include it here, but also enter the amount repaid under 'Additional information' on the **Details** screen.

Losses brought forward

Enter here any losses you made in a previous year which you have already claimed to carry forward and have not already used. Any amount entered here will be deducted from your net profit figure. Note that losses brought forward can only be set against profits from the same trade: they cannot be set against income from other sources or capital gains. So if your losses brought forward are more than you need to reduce your 1997-98 net profits from this partnership to zero, remember to enter the unused amount in the 'losses to carry forward' box.

Complete this screen if you were a member of a partnership in the 1997-98 tax year. The figure for profits and taxed interest will be shown on your partnership statement.

Your share of profit for tax purposes

Enter here your share (ie the individual partner's share) of the partnership's taxable profit for the relevant accounting period. If the partnership made a loss, you should leave this box empty and enter the loss on the **Losses/deductions** screen. You should find these figures on the partnership statement. Note that this is not necessarily the amount on which you will pay tax - you may need to make an adjustment if your basis period differs from the partnership's accounting period.

Your share of taxed interest

If the partnership received interest from building societies, banks or deposit takers, and that interest was taxed before you received it, enter your share (ie the individual partner's share) here. You should find this figure on the partnership statement. Note that unlike your share of the profit, which is the figure for the relevant accounting period, the taxed interest shown on the statement should be the amount received in the 1997-1998 tax year.

Adjustment if your basis period differs from partnership's accounting period

If the accounting period for the partnership is not the same as your basis period, you need to make an adjustment to the profits figure you have already entered, or, if the partnership made a loss, to your share of the allowable loss entered on the **Losses/Deductions** screen. If so, enter the adjustment here. This can be a positive or a negative figure - ie it may increase the net profit/loss apportioned to you, or reduce it. If the adjustment figure reduces the net profit/loss figure, enter the figure as a minus.

The adjustment is worked out by first averaging your profits out over the correct period, to find your profit or loss for your basis period. Then, you take the difference between this figure and the figure you have entered as your share of the partnership's profits or losses for 1997-98 (as shown on your partnership statement). The result is the adjustment you need to make. See Inland Revenue Help Sheet IR222: *How to work out your taxable profits*, for more information.

Example

Jill and Phil began in partnership on 6 October 1996 and their first accounts showed a joint profit of £18,000 shared equally for the 9 months' accounting period ended 5 July 1997. As they both started together their basis periods are identical: the 6 months from 6 October 1996 to 5 April 1997 for year 1.

They are both taxable in tax year 1 (1996-97) on 6 month's worth of profits out of the 9 month period to 5 July 1997: - 6/9 x £9,000 = £6,000 each.

In the second tax year Phil and Jill are in partnership, ie 1997-98, the accounting period ending in the year is for only 9 months. The basis period for both partners is therefore the first 12 months to 5 October 1997. The joint profit for the partnership accounting period to 5 July 1998 is £36,000, again shared equally. Their taxable profit for the 1997-98 tax year is made up of nine months profit from the first accounting period and three months from the second accounting period :

9/9 x £9,000 = £9,000
3/12 x £18,000 = £4,500

Total = £13,500

The partnership tax return and statement show the profits for the accounting period ending in the 1997-98 tax year, ie £18,000 in total, £9,000 of which is allocated to each partner and entered in 'Your share of profits'. But to bring this up to the £13,500 on which they are actually taxed, Phil and Jill must each enter £13,500 - £9,000 = £4,500 in the 'Adjustment' box. Because their accounting period ends on 5 July, they have the information they need to work out their adjustment in plenty of time to send in their tax return: had this information not been available, they would have had to estimate the adjustment.

Adjustment for farmer's averaging

If you are a farmer or market gardener, you may be able to claim to average two years profits. You will need Inland Revenue Help Sheet IR224: *Farmers and market gardeners* to help you and tell you what to enter here. As with the adjusted profit figure if you do enter an amount here and it should be deducted from your net profit instead of added, enter the figure as a minus.

Foreign tax deductions

If the partnership had income from abroad on which tax was deducted before you received it, to save you paying tax both overseas and in the UK, you are allowed to deduct the tax from your profits. Note though, that in some cases claiming a special relief called tax credit relief is a better option. If you want to claim tax credit relief, leave this box empty and go to the **Entered elsewhere** in the Foreign section of TaxCalc: if you want to claim to deduct the tax instead, enter it here. Check, though, that you should not be completing the full Partnership supplementary pages instead of the short version (only the short version is currently handled by TaxCalc).

Overlap relief

In some circumstances, because of the way in which your basis period can overlap with your accounting period, you can end up being taxed on the same profits in two consecutive years. These profits are called overlap profits and the special relief which you can claim to compensate is called overlap relief. Note though, that you can claim this relief only when you leave the partnership, the partnership is closed down or sold, or if it changes accounting date.

You may have overlap profits because:

you joined the partnership before 6 April 1994. Under the old rules some profits would have dropped out of account when the business ceased or was sold. That does not happen under self-assessment rules. In compensation, you are entitled to what is called transitional overlap relief. The amount of that relief is calculated by reference to the amount of your profit between the end of your basis period for 1996-97 and 6 April 1997

you joined the partnership on or after 6 April 1994, and the special rules for new businesses meant your basis periods have overlapped resulting in some of your profits being taxed twice. The amounts taxed twice are your overlap profits.

Enter here any overlap relief brought forward from 1996-97 and the amount of overlap relief (if any) being claimed for 1997-98. If the overlap relief is greater than your taxable profits it creates a loss and will increase an existing loss. If you have more overlap relief brought forward than you are using in 1997-98, TaxCalc will show the rest as an amount to carry forward, on your partnership income supplementary page.

Note

Final accounts may not be available for your partnership. If so, you should enter provisional figures where necessary and click on the 'additional information' box on the **Details** screen to enter the reason why and give a date by which you expect to provide final figures. Also tick the 'provisional figures' box on the **Other tax matters** screen in the Other information section of TaxCalc. If the provisional figures mean that you find, when the full information is available, that you have paid too little tax, you will have to pay interest on the outstanding amount. However, you will have avoided the penalties and surcharges arising from not having sent your return in on time - and if it turns out that you have paid too much tax, you will receive interest on the amount overpaid.

Here you are asked to fill in your personal details. Many of these are needed only if you intend to use TaxCalc to complete your tax return. However, you must, in every case, enter your sex, date of birth and marital status. These are needed to help TaxCalc work out which figures to ask for, and which of the main personal allowances to give. For example, if you will be 65 or over during the tax year TaxCalc will allow a higher personal allowance if your income is under a certain amount. TaxCalc will also deal with such events as marriage during the tax year - it tells you what to fill in and works out what married couple's allowance is due.

If any of the details shown on the front of the Return you receive are incorrect or out-of-date, give the correct details in TaxCalc and click the button at the bottom of the screen.

TaxCalc is designed **only** for people who are resident and domiciled in the United Kingdom.

Capacity in which signing

This should be completed if the tax return printed out by TaxCalc will not be signed by the person to whom it relates, for example if it covers the income of someone who died in the tax year. Type in the capacity in which the signatory is acting - for example, 'executor', 'receiver'. You must also type in the signatory's name and address, and the name of the person for whom they are signing, under 'Additional information' on the **Other tax matters** screen in the Other information section.

Note that you can sign a return for somebody else only if that person is physically or mentally incapable of signing, and you have an appropriate power of attorney or you are (in Scotland) a curator bonis. You cannot sign merely because the other person is unavailable. Check the notes to the tax return for more details.

Do you want TaxCalc to calculate your tax for the tax return?

We assume that everyone using TaxCalc will, of course, be calculating their own tax liability. TaxCalc always runs the full calculations for every user. However, when it comes to printing out your tax return you still have the choice of giving the Revenue your own (TaxCalc's) figures, or letting them calculate your liability for you - and then using TaxCalc to check their figures.

TaxCalc assumes that you want your tax return completed as if you were sending your tax calculation to the Revenue, unless you tell it otherwise by *removing* the tick in the 'Click here if you want TaxCalc to calculate your tax for the tax return' box.

Sending your tax calculation to the Revenue

If you decide you want to do this, then leave the tick in the 'Click here if you want TaxCalc to calculate your tax for your tax return' box. Once your 1997-98 tax liability has been calculated, TaxCalc will put this amount in the appropriate box of your tax return (box 18.3 on page 7) and complete the rest of the Return as requested by the Revenue.

You have until 31 January 1999 to send back your tax return if you choose this route - although you must also make sure you pay any balance of tax due by this date, otherwise you will start paying interest and surcharges.

Getting the Revenue to do your tax calculation

If you decide you would rather let the Revenue do the calculations and use TaxCalc to check them, *remove* the tick in the 'Click here if you want TaxCalc to calculate your tax for the tax return' box. TaxCalc will work out your 1997-98 tax liability, but the relevant section of your tax return (question 18 on page 7) will be left blank and the Revenue will do the tax calculations for you. If you choose this route you must send your tax return back to the Revenue by 30 September 1998.

Once you've finished running TaxCalc, go to the simple tax summary or, for more fuller information, the detailed tax summary relevant to you. You can print out these documents if you wish, as your note of TaxCalc's assessment of your 1997-98 tax bill. Save your .tax file and keep it.

You will receive a statement from the Revenue confirming your 1997-98 tax liability, which you can check with TaxCalc's figures. There may be small differences, due to rounding. When you enter figures, you are entitled to round in your favour, ie by rounding income down to the nearest £, and deductions (which reduce your tax) up to the nearest £, but TaxCalc and the Revenue's own computers work in pounds and pence.

Married couples

Although the tax system generally taxes husband and wife as separate individuals, there are still ways in which married couples may be able to save tax, eg by transferring between them allowances or various income-producing assets. The transfer of allowances applies even in the year of separation or of one spouse's death. In these situations you should complete two documents if possible.

> **Note**
> To find out if you could save tax in this way, you should complete a TaxCalc document for each of you. When you have finished and saved them, open both documents at the same time and run Tax Saver. Go to 'Tile' command on the Window menu in TaxCalc enables you to see, and work on, both forms at the same time.

Additional information for people with agents

If you have given your agent's telephone number as the contact number on this screen, also give your agent's name, address and any relevant reference if you have one, under 'Additional information' on the **Other tax matters** screen in the Other information section of TaxCalc.

Personal details
Tax office details

Qualifying period

The total of continuous days abroad immediately before your UK visit, **plus** the number of days in your UK visit, **plus** the number of days you spend in your next period abroad immediately after your UK visit.

Reinvestment relief

Allows gains to be deferred when they are reinvested in certain unlisted company shares. See Inland Revenue Help Sheet IR 291 *Reinvestment relief* (available in the Help Sheets section of TaxCalc's help file). Note, though, that reinvestment relief is affected by the reform of capital gains tax announced in the Spring 1998 Budget.

	1982	1983	1984	1985	1986	1987	1988	1989
Jan		82.61	86.84	91.20	96.25	100.00	103.30	111.00
Feb		82.97	87.20	91.94	96.60	100.40	103.70	111.80
Mar	79.44	83.12	87.48	92.80	96.73	100.60	104.10	112.30
Apr	81.04	84.28	88.64	94.78	97.67	101.80	105.80	114.30
May	81.62	84.64	88.97	95.21	97.85	101.90	106.20	115.00
Jun	81.85	84.84	89.20	95.41	97.79	101.90	106.60	115.40
Jul	81.88	85.30	89.10	95.23	97.52	101.80	106.70	115.50
Aug	81.90	85.68	89.94	95.49	97.82	102.10	107.90	115.80
Sep	81.85	86.06	90.11	95.44	98.30	102.40	108.40	116.60
Oct	82.26	86.36	90.67	95.59	98.45	102.90	109.50	117.50
Nov	82.66	86.67	90.95	95.92	99.29	103.40	110.00	118.50
Dec	82.51	86.89	90.87	96.05	99.62	103.30	110.30	118.80

	1990	1991	1992	1993	1994	1995	1996	1997
Jan	119.50	130.20	135.60	137.90	141.30	146.00	150.20	154.40
Feb	120.20	130.90	136.30	138.80	142.10	146.90	150.90	155.00
Mar	121.40	131.40	136.70	139.30	142.50	147.50	151.50	155.40
Apr	125.10	133.10	138.80	140.60	144.20	149.00	152.60	156.30
May	126.20	133.50	139.30	141.10	144.70	149.60	152.90	156.90
Jun	126.70	134.10	139.30	141.00	144.70	149.80	153.00	157.50
Jul	126.80	133.80	138.80	140.70	144.00	149.10	152.40	157.50
Aug	128.10	134.10	138.90	141.30	144.70	149.90	153.10	158.50
Sep	129.30	134.60	139.40	141.90	145.00	150.60	153.80	159.30

Oct	130.30	135.10	139.90	141.80	145.20	149.80	153.80	159.50
Nov	130.00	135.60	139.70	141.60	145.30	149.80	153.90	159.60
Dec	129.90	135.70	139.20	141.90	146.00	150.70	154.40	160.00

	1998
Jan	159.50
Feb	160.30
Mar	
Apr	
May	
Jun	
Jul	
Aug	
Sep	
Oct	
Nov	
Dec	

Retirement relief

Relieves gains made on disposal of a business by an individual aged 50 or over. See Inland Revenue Help Sheet IR289 *Retirement relief and capital gains tax.* Note that retirement relief is being phased out in the reform of capital gains tax announced in the Spring 1998 Budget.

Roll-over relief

Allows gains on the disposal of business assets to be deferred if replacement assets are acquired. See also Inland Revenue Help Sheet IR290 *Business asset roll-over relief.* Note that roll-over relief is affected by the reform of capital gains tax announced in the Spring 1998 Budget.

Interest
National Savings accounts
Unit trusts
Dividends
Other investment income
Life insurance

If you have entered anything in the Savings and investments section of TaxCalc, this report will give you a breakdown of what you entered and the totals in each category. The categories follow those on page 3 of the tax return. Note that overseas savings and investments are not shown because these are itemised in the 'Foreign' supplementary sheet on the 'Forms' menu of TaxCalc.

Filling in the self-employment section of TaxCalc

You must fill in this section if, at any time during the 1997-98 tax year, you carried on a trade, profession or vocation as a self-employed person in the UK or abroad. If you were a member of a partnership, you need to complete the Partnership supplementary pages: to do this, go to the Partnership income section of TaxCalc instead. The partnership as a whole also has to fill in a tax return. If you have TaxCalc Plus, you can complete a Partnership tax return by going to the Partnership return screens.

The Inland Revenue has strict rules about whom it will regard as self-employed - see Inland Revenue leaflet IR56. However, you can ask for a decision in writing as to whether you will be classed as self-employed. If you are self-employed, enter here your business name and address and what your business is. If you have more than one business, enter details for each separately by using the 'Add Business' button.

Under the new system of self assessment you no longer have to send your business accounts with your tax return - but you must complete the tax return fully, ie fill in all the boxes that apply to your business. You must also still keep accounts and hold on to them for up to five years and ten months after the final filing date for the tax year (31 January 2004 for the 1997-98 tax year).

The documents and papers you will need to complete these sections are:

- your business accounts covering your basis period for the 1997-98 tax year (the term basis period is explained later)
- your books and records, if you do not have accounts.

You should have records of all your business transactions. You must keep these until at least 31 January 2004 in case your Tax Office asks to see them.

Accounts

You may not need to have accounts prepared for your business each year. If you do not, and you do not have an accountant, Inland Revenue Help Sheet IR222 *How to calculate your taxable profits* will help you to work out your taxable profits. However, you do need to understand what is meant by 'accounting period'. This is simply the period for which you provide details of your business income and expenses: your 'accounting date' is the date on which this period ended.

What to do next

Work through the following steps before going on to complete the self-employment section.

Step 1	Work out the basis period for your business (see below).
Step 2	Work out how many sets of accounts fall within your basis period.
Step 3	If any of the information on the accounts within your basis period was entered in last year's tax return, you do not need to provide the same information again. See 'Not required to give full details'.
Step 4	If you have only one set of accounts for the basis period fill in the self-employment screens for the whole of the basis period - all the information you enter should relate to income, expenses, etc in that basis period.
Or	If you have more than one set of accounts you must complete a separate set of self-employment pages for each set of accounts. See below.

Using TaxCalc if you have more than one set of accounts

Before self-assessment was introduced, the Revenue required you to send in a set of accounts for each accounting period. Under self-assessment, this effectively continues - but rather than allowing you to send in the accounts themselves, you are required to transfer the information to the self-employment supplementary pages, where it is presented in a standardised format in boxes 3.1 to 3.70 and 3.93 to 3.109. The other boxes (3.71 to 3.92) make the necessary adjustments to work out your total taxable profits from the business for the accounting period.

If the ‘basis period’ for tax purposes is the same as your last accounting period, then obviously only one set of self-employment supplementary pages is needed. If your business profits for the basis period appear in more than one set of accounts, the Revenue still wants one set of standardised accounts information for each accounting period, but, of course, the adjustments needed to work out your total taxable profits only need to be done once.

You can still use TaxCalc if you have more than one set of accounts to send in for the business. But it does not currently calculate the necessary adjustments. We advise you to get help from your tax adviser in order to work out the adjustments correctly. Also see Inland Revenue Help Sheet *IR222: How to calculate your taxable profits.*

To use TaxCalc if you have more than one set of accounts, you need to set up the following separate TaxCalc files:

File 1:
In your main TaxCalc file (the one in which you have entered all your income, reliefs and allowances for the tax year) complete the **Annual turnover**, **Business expenses**, **Capital allowances** and **Balance Sheet** screens in the self-employment section using the data from the most recent set of accounts. Complete all the other self-employment screens using information for the 1997-1998 tax year. Make the adjustments necessary to convert the profits for the accounting period to those for the basis period on the **Adjustments** screen. This information will be taken into the calculation to work out your overall tax bill for the year.

File 2:
Start a new TaxCalc file for each of the earlier accounting periods within your basis period. Complete only the **Annual turnover**, **Business expenses**,
Capital allowances and **Balance Sheet** screens. Note that if you have already provided this information in the 1996-1997 tax return, you do not need to do so again.

File 3:
Print out a blank page 3 of the self-employment supplementary pages from another new TaxCalc file. Complete the 'Capital allowances summary' (boxes 3.61 to 3.70) by hand. Leave boxes 3.71 to 3.88 empty.

Send in with your tax return:

- all 4 supplementary pages from your main TaxCalc file (File 1), showing information for the latest set of accounts and including the completed boxes 3.71 to 3.92
- pages 1, 2 & 4 only of the supplementary pages for the earlier accounting period(s) from the separate TaxCalc file (File 2)
- the hand-completed page 3 (File 3).

Basis period

You pay tax for 1997-98 according to the profits, or losses, for your basis period. After the first year or two in business your basis period will be the 12 month period up to the date you choose as your annual accounting date unless you change it or your business ceases. The basis period for new businesses will normally be one of the following:

if you started in business during the period 6 April 1995 to 5 April 1996, your basis period is the 12 months up to your accounting date in 1997-98

if you started in business during the period 6 April 1996 to 5 April 1997, your basis period is one of the following (unless you have changed accounting date during 1997-98)

if your accounting date in 1997-98 is 12 months or more after the date on which you started in business, your basis period is the 12 months to your accounting date

if your accounting in 1997-98 is less than 12 months after the date on which you started in business, your basis period is the 12 months beginning on the date you started if you do not have an accounting date in 1997-98, your basis period is the 12 month period from 6 April 1997 to 5 April 1998.

If you started in business during the period 6 April 1997 and 6 April 1998, your basis period is the period from the date you started to 5 April 1998.

Accounting period

Enter here the start and end date for the period to which the information you enter relates. For most businesses, the period covered by your accounts is likely to be the same as your basis period (explained above). If this is not the case, it is most likely you will have to complete a separate set of Self Employment Supplementary Pages for each accounting period.

If you are unsure about which accounting period and/or basis period applies to this Return, speak to your Tax Office who will be able to help you.

Date business commenced

You only need to click here if your business commenced on or after 6 April 1994. See Inland Revenue Help Sheet IR 222 *New Businesses starting on or after 6 April 1994* (the full text of this Help Sheet is available in TaxCalc's Help Sheets section).

Date business ceased

Only complete this if this business ceased to trade before the end of the tax year, i.e. before 6 April 1998.

Business details have changed

Click here if the name or address of your business has changed since your last tax return.

Not required to give full details

Click here if you have already entered details of this accounting period's figures in last year's tax return. In this case, you do not need to provide the same information again, and can leave the **Turnover**, **Expenses**, **Capital allowances** and **Balance sheet** screens empty.

Accounts do not run from last accounting date

Click this box if there is a gap between the end of your previous accounting period and the beginning of this one. You will need to explain why in the 'Additional information' section.

Applied anti-avoidance rules in calculating overlap relief

Overlap relief compensates you for being taxed on the same slice of profits in two consecutive tax years. It may apply because of the introduction of the new method of taxing business profits on the 'current year' basis, introduced in 1996-97, but there are rules which prevent exploitation of the relief. If the rules apply to you, you can escape penalties if you tell the Revenue that they apply by clicking here.

Accounting date has changed

Click here if you have changed your accounting date for tax purposes, and you want it to be a permanent change. This may affect your basis period. See Inland Revenue Help Sheet IR222 *How to calculate your taxable profits.*

A second or further change of accounting date

Click this box if you have changed your accounting date before, and explain why it has changed, in the 'Additional information' section. A change of accounting date may not be effective for tax purposes - for example if it is your second accounting change for tax purposes within five years, you have to be able to show that the change is made for bona fide commercial reasons.

Figures are provisional

Final accounts may not be available for your business. If so, you should enter provisional figures where necessary, and click on the 'Additional box' to enter the reason why. Also give a date by which you expect to provide final figures. If the provisional figures mean that you find, when the full information is available, that you have paid too little tax, you will have to pay interest on the outstanding amount. However, you will have avoided the penalties and surcharges arising from not having sent your return in on time - and if it turns out that you have paid too much tax, you will receive interest on the amount overpaid.

Special rules for certain trades apply

The Inland Revenue does not require foster carers and adult carers who have an arrangement with their Tax Office to complete the whole of the self-employment supplementary sheet.   In this case, you need only click here, complete the **Business details** screen (except for the 'basis period' box), the **Class 4 NICs** screens, and enter your taxable profits in the 'Turnover' box on the **Turnover** screen.

Special rules also apply to people who carry on a trade or profession wholly overseas and who are taxed on the remittance basis (i.e. only on money you send back to the UK). In this case, enter the same information as for carers above, but also include details of your basis period on the **Business details** screen. When completing the Class 4 NICs screen, remember to click the button to show that you are exempt.

Additional information

Click on this button to enter any relevant additional information. Any text you type in here will be entered in the relevant section of your Self Employed Supplementary Page. For example:

- gaps in accounting periods
- notes if you registered or deregistered for VAT during the period
- details of receipts of expenditure connected with your business which for any reason are not included in your figures, or
- an explanation of any tax adjustment to your net profit when the reason is not apparent from these figures, or
- an explanation of any items which are not included in the standard accounts information but which affect your taxable profits, such as the spreading of artistic profits, or
- an explanation of any provisional figures, and the date by which final figures will be available.

Introduction

If you receive free or cheap shares in your employer's company, or the option to buy them at a set price at some point in the future, this counts as a taxable benefit. However, there are a number of 'approved' schemes that allow you to receive share incentives tax-free, providing certain conditions are met. Your employer should be able to tell you whether the scheme is approved.

If the scheme is not approved, or you breach the conditions, you may be taxed when what the Revenue calls a 'taxable event' occurs. Depending on how the scheme is set up and whether it is approved, these taxable events may be:

- The point at which you are granted an option to buy shares in the future
- The point at which at which you exercise your option to buy shares
- Receiving some other benefit from your option, for example payment for agreeing not to exercise your option, transferring it to someone else, cancelling it or releasing the company from the agreement
- Acquiring the shares themselves, either free or cheaply
- Receiving further benefits from shares previously acquired free or cheaply because of your job.

You need only enter in these screens any share incentives which are taxable in the 1997-98 tax year, or incentives from tax-free schemes which become taxable because you have not met the conditions. Do not enter here:

- tax-free incentives
- the dividends from shares you received under an incentive scheme - these are taxed just like other dividends and should be entered in the Savings and investments section of TaxCalc
- any capital gains when you eventually sell shares you received through a share incentive scheme. Enter these in the Capital gains section of TaxCalc
- profit-related pay not linked to shares. Enter this in the Employment section
- taxable amounts received from a profit-sharing scheme. These involve shares held in a special trust on employees' behalf: they are usually only taxable when you sell

them early. Your employer works out the taxable amount for you and deducts the tax before passing on the proceeds. Both the taxable amount and the tax deducted should be entered in the Employment section of TaxCalc.

Approved discretionary share option schemes

Two types of scheme fall within this category:

- company share option plans
- executive share option plans. These preceded company share option plans, but existing options held under these schemes are still tax-free providing the various conditions are met.

Under both schemes your employer can give you options to buy shares at a set price at some point in the future. Providing certain conditions are met, you do not have to pay tax when you are granted the options, or when you exercise them. 'Discretionary' simply refers to the fact that, unlike savings-related share option schemes, they can be restricted to groups of employees.

For full information on how these schemes work, see Inland Revenue leaflet *IR101: Approved Company Share Option Plans. An outline for employees.*

Taxable event

Enter here a brief reference for each taxable occasion which occurred in relation to this type of scheme in 1997-98. This is not needed for the return but TaxCalc requires at least a one-character reference for identification purposes.

You are never taxed on the grant of an option in an approved share option scheme. A 'taxable event' occurs only if any of the following applies:

- you exercise the option less than three years after being granted it
- you exercise the option more than 10 years after being granted it
- it is less than three years since you last exercised an option under *any* discretionary share option plan
- you received something in return for cancelling, releasing or transferring your option, or if you receive something for agreeing not to exercise your option
- the scheme had ceased to be approved by the time you exercised your options.

You only need to complete this screen if any of these events took place in the 1997-98 tax year. You need to enter each 'taxable event' separately, using the 'Add taxable event' button: for example, if you exercised options to buy shares in two separate companies.

If shares are unlisted

The calculation of the taxable amount depends on the market value of the shares. If the shares are not listed on the Stock Exchange, the market value has to be agreed with the Revenue. Click here if this applies. Your employer may be able to tell you if any value has been agreed. If it has not, you should still submit your tax return using estimates, but remember to tick the 'Click here if figures are provisional box' on the **Other tax matters** screen in the Other information section of TaxCalc.

Date option was granted
This should be shown on the share option certificate, or other correspondence from your employer.

Amount paid for option
If you were required to pay something for the option itself (not the amount it cost you to exercise it, ie buy the shares), enter the amount here. You can deduct this from the value of the option when it comes to working out the taxable amount.

Number of shares bought
This is needed to calculate the taxable amount. You may not actually have bought all the shares you were entitled to buy - if so, enter only the number bought.

Exercise price/option price per share
Enter here the price at which you eventually bought each share, e.g. £2 per share. This will have been set at the time the option was granted and will usually be the market value at that time. In some cases, the option price may have been set at a discount to the market value.

The exercise price should be shown on the share option certificate or other correspondence from your employer. Type in the price without the £ sign, eg £4.50 should be typed in as 4.50.

Market value per share at date option exercised
This is the price you might reasonably expect to get for the shares if you sold them on the open market (your employer should be able to help you if you are unsure what this is). Type in the price without the £ sign, eg £4.50 should be typed in as 4.50.

Taxable amount
If the ‘taxable event’ arises because, during the 1997-98 tax year, you exercised your option outside the time limits, or you exercised options in a scheme which had become unapproved, enter the taxable amount here. The taxable amount is the difference between the market value of the shares at the time the option is exercised and the amount paid for the shares, *less* any amount paid for the option.

If the market value of the shares at the time the option is exercised is £3 per share, for example, and you paid £2, you are taxed on £3 - £2 = £1 per share. If you buy 400 shares, the taxable amount is £400 *less* anything you paid for the option.

A working sheet helping you to work out the taxable amount is given in the Inland Revenue’s notes accompanying the ‘Share schemes’ supplementary pages.

Taxable amount - amount received on cancellation/release
If you receive something in return for cancelling, releasing or transferring your option, or if you receive something for agreeing not to exercise your option, enter here the amount you received. You pay tax on this amount *less* anything you paid for the option (which you should already have entered at the top of the screen). TaxCalc will take the amount you enter here, deduct anything you paid for the option, and enter the result in the correct place on the ‘Share Schemes’ supplementary pages.

Introduction

If you receive free or cheap shares in your employer's company, or the option to buy them at a set price at some point in the future, this counts as a taxable benefit. However, there are a number of 'approved' schemes that allow you to receive share incentives tax-free, providing certain conditions are met. Your employer should be able to tell you whether the scheme is approved.

If the scheme is not approved, or you breach the conditions, you may be taxed when what the Revenue calls a 'taxable event' occurs. Depending on how the scheme is set up and whether it is approved, these taxable events may be:

- The point at which you are granted an option to buy shares in the future
- The point at which at which you exercise your option to buy shares
- Receiving some other benefit from your option, for example payment for agreeing not to exercise your option, transferring it to someone else, cancelling it or releasing the company from the agreement
- Acquiring the shares themselves, either free or cheaply
- Receiving further benefits from shares previously acquired free or cheaply because of your job.

You need only enter in these screens any share incentives which are taxable in the 1997-98 tax year, or incentives from tax-free schemes which become taxable because you have not met the conditions. Do not enter here:

- tax-free incentives
- the dividends from shares you received under an incentive scheme - these are taxed just like other dividends and should be entered in the Savings and investments section of TaxCalc
- any capital gains when you eventually sell shares you received through a share incentive scheme. Enter these in the Capital gains section of TaxCalc
- profit-related pay not linked to shares. Enter this in the Employment section
- taxable amounts received from a profit-sharing scheme. These involve shares held in a special trust on employees' behalf: they are usually only taxable when you sell them early. Your employer works out the taxable amount for you and deducts the

tax before passing on the proceeds. Both the taxable amount and the tax deducted should be entered in the Employment section of TaxCalc.

Approved savings-related share option schemes

These give you an option to buy shares in your employer's company at a price that is fixed when you are granted the option. At the same time as you are granted the option, you start saving a monthly amount in a special 'Save As You Earn' savings account run either by National Savings or by a bank or building societies. With this type of share option scheme you do not pay anything for the option itself. After five or seven years (or three years if you joined the scheme on or after 30 April 1996), you can use the money in your savings account to exercise your option to buy shares. You do not have to exercise your option - you can simply withdraw your cash and the interest earned on it.

For full information on how these schemes work, see Inland Revenue leaflet *IR97: Approved Save As You Earn share option schemes. An outline for employees.*

Taxable event

Enter here a brief reference for each taxable occasion which occurred in relation to this type of scheme in 1997-98. This is not needed for the return but TaxCalc requires at least a one-character reference for identification purposes.

You are never taxed on the grant of an option in an approved savings-related share option scheme. A 'taxable event' occurs only if:

- you exercise the option within three years of receiving it, because the company, or the part of the business, you work for, is sold or taken over *or*
- you receive something in return for cancelling, releasing or transferring your option, or if you receive something for agreeing not to exercise your option.

You only need to complete this screen if either of these two events took place in the 1997-98 tax year. You need to enter each 'taxable event' separately, using the 'Add taxable event' button: for example, if you exercised options to buy shares in two separate companies.

If shares are unlisted

The calculation of the taxable amount depends on the market value of the shares. If the shares are not listed on the Stock Exchange, the market value has to be agreed with the Revenue. Click here if this applies. Your employer may be able to tell you if any value has been agreed. If it has not, you should still submit your tax return using estimates, but remember to tick the 'Click here if figures are provisional box' on the **Other tax matters** screen in the Other information section of TaxCalc.

Date option was granted

This should be shown on the share option certificate, or other correspondence from your employer.

Number of shares bought

This is needed so that the Revenue can check your calculation of the taxable amount. It will depend on the amount you save.

Exercise price/option price per share

Enter here the price at which you eventually bought each share, e.g. £2 per share. This will have been set at the time the option was granted and will usually be either the market value at that time or the market price minus a discount of up to 20 per cent. This should be shown on the share option certificate or other correspondence from your employer. Type in the price without the £ sign, eg £4.50 should be typed in as 4.50.

Market value per share at date option exercised

This is the price you might reasonably expect to get for the shares if you sold them on the open market (your employer should be able to help you if you are unsure what this is). Type in the price without the £ sign, eg £4.50 should be typed in as 4.50.

Taxable amount

If the ‘taxable event’ arises because, during the 1997-98 tax year, you exercised your option within three years of receiving it, enter the taxable amount here. The taxable amount is the difference between the market value of the shares at the time the option is exercised and the amount paid for the shares.

If the market value of the shares at the time the option is exercised is £3 per share, for example, and you paid £2, you are taxed on £3 - £2 = £1 per share. If you buy 400 shares, the taxable amount is £400.

A working sheet helping you to work out the taxable amount is given in the Inland Revenue’s notes accompanying the ‘Share schemes’ supplementary pages.

Taxable amount - amount received on cancellation/release

If you receive something in return for cancelling, releasing or transferring your option, or if you receive something for agreeing not to exercise your option, enter here the amount you received. This is the amount on which you will be taxed.

Introduction

If you receive free or cheap shares in your employer's company, or the option to buy them at a set price at some point in the future, this counts as a taxable benefit. However, there are a number of 'approved' schemes that allow you to receive share incentives tax-free, providing certain conditions are met. Your employer should be able to tell you whether the scheme is approved.

If the scheme is not approved, or you breach the conditions, you may be taxed when what the Revenue calls a 'taxable event' occurs. Depending on how the scheme is set up and whether it is approved, these taxable events may be:

- The point at which you are granted an option to buy shares in the future
- The point at which at which you exercise your option to buy shares
- Receiving some other benefit from your option, for example payment for agreeing not to exercise your option, transferring it to someone else, cancelling it or releasing the company from the agreement
- Acquiring the shares themselves, either free or cheaply
- Receiving further benefits from shares previously acquired free or cheaply because of your job.

You need only enter in these screens any share incentives which are taxable in the 1997-98 tax year, or incentives from tax-free schemes which become taxable because you have not met the conditions. Do not enter here:

- tax-free incentives
- the dividends from shares you received under an incentive scheme - these are taxed just like other dividends and should be entered in the Savings and investments section of TaxCalc
- any capital gains when you eventually sell shares you received through a share incentive scheme. Enter these in the Capital gains section of TaxCalc
- profit-related pay not linked to shares. Enter this in the Employment section
- taxable amounts received from a profit-sharing scheme. These involve shares held

in a special trust on employees' behalf: they are usually only taxable when you sell them early. Your employer works out the taxable amount for you and deducts the tax before passing on the proceeds. Both the taxable amount and the tax deducted should be entered in the Employment section of TaxCalc.

Shares acquired

If your employer gives you free or cheap shares (or interests in shares) in the company, the 'taxable value' of the shares is taxed as part of your income from employment. A distinction is made between shares you receive as part of your earnings ('shares from your job') and those you receive as a fringe benefit of a job: this can make quite a difference to the tax treatment so check with your employer or your tax office which category yours fall within.

If you are given shares, and their value to you is later is increased, for example because any rights or restrictions are lifted, this also counts as a taxable benefit.

However if you receive the shares as part of a public offer, in which you are given a priority allocation, you are not taxed providing you pay the same price for your shares as the general public. A discount on the share price is taxable.

For full information on how free or cheap shares are taxed, see Inland Revenue leaflet *IR16: Share acquisitions by directors and employees.*

Taxable event

Enter here a brief reference for each taxable occasion which occurred in relation to free or cheap shares acquired in 1997-98. This is not needed for the return but TaxCalc requires at least a one-character reference for identification purposes.

A 'taxable event' occurs if you receive free or cheap shares either from your job or as a benefit, or if you already have free or cheap shares and their value is enhanced, e.g. because you receive benefits such as a bonus or rights issue of shares.

You only need to complete this screen if any of these events took place in the 1997-98 tax year. You need to enter each 'taxable event' separately, using the 'Add taxable event' button: for example, if you received shares in two separate companies.

If shares are unlisted

The calculation of the taxable amount depends on the market value of the shares. If the shares are not listed on the Stock Exchange, the market value has to be agreed with the Revenue. Click here if this applies. Your employer may be able to tell you if any value has been agreed. If it has not, you should still submit your tax return using estimates, but remember to tick the 'Click here if figures are provisional box' on the **Other tax matters** screen in the Other information section of TaxCalc.

Acquiring shares as payment from your job

If you receive shares, or an interest in shares, because of your position as an employee or director of the company, the shares are taxable in the same way as other income from employment. This does not apply if you receive the shares as part of a public offer, at the same price as the public.

If you received shares in these circumstances during the 1997-98 tax year, click on the appropriate button, complete the details requested, and enter the taxable amount. The taxable amount of the shares is the market value of the shares at the time you acquired them, *less* anything you paid for them.

A working sheet helping you to work out the taxable amount is given in the Inland Revenue's notes accompanying the 'Share schemes' supplementary pages.

Acquiring shares as a benefit of your job

The sorts of shares you should enter here include those which you are allowed to pay for in instalments (partly-paid shares), or those where part of the purchase price is deferred, and which do not count as 'shares from your job'. If in doubt check with your employer**.**

If you received shares in these circumstances during the 1997-98 tax year, click on the appropriate button, complete the details requested, and enter the taxable amount. You are taxed as if you received an interest-free 'loan' from your employer, the amount of the loan being the market value of the shares at the time when you acquired them, *less* anything you paid for them. The taxable amount is the interest that would have been payable on a loan of this amount, worked out at the Inland Revenue's 'official rate' of interest. The good news is that you are not taxed at all if you earn more than £8,500 over a year, *and* the total amount of the 'loan', plus any other loans (real and 'notional') received because of your job, does not exceed £5,000 at any point in the tax year. Nor are you taxed if your earnings, over a whole year, would amount to less than £8,500 and you are not a director.

A working sheet helping you to work out the taxable amount is given in the Inland Revenue's Help Sheet *IR 216: Shares as benefits.*

Note that your employer may already have deducted the tax due under PAYE from your earnings. If this applies, see Any of the taxable amount already entered elsewhere.

Arising from shares you already own

Even after you have received shares (or an interest in them) because of your job, you may be regarded as having received a further taxable benefit from them if any of the following applies:

- the value of your shares is increased because any rights or restrictions attached to them are altered, e.g. restrictions on sale are lifted
- the shares are in some 'dependent subsidiary' companies. You are charged tax on the seventh anniversary of receiving the shares, or when you sell them, if earlier
- special shareholder benefits are received, such as bonus or rights issues, cash, and vouchers or tokens.

If you received taxable benefits in these circumstances during the 1997-98 tax year, click on the appropriate button, complete the details requested (except for Amount paid per share which you can ignore) and enter the taxable amount. Also enter the nature of the taxable event by clicking on 'Click to type in' and typing in the details.

A working sheet helping you to work out the taxable amount is given in the Inland Revenue's Help Sheet *IR 217: Shares acquired: post acquisition charges.*

Date shares acquired
Enter here the date the shares were first acquired, even if the taxable event is a ‘post-acquisition charge’.

Amount paid per share
This is the amount you paid when you first acquired the shares. It only applies if you acquired the shares during the 1997-98 tax year - if the taxable event is a ‘post-acquisition charge’, you can leave this blank.

Market value per share
Enter the market value of the shares at the date they were first acquired. This is the price you might reasonably expect to get for the shares if you sold them on the open market (your employer should be able to help you if you are unsure what this is). Type in the price without the £ sign, eg £4.50 should be typed in as 4.50.

Any of the taxable amount already entered elsewhere
Because of fears of tax-avoidance in some cases, employers now have to deduct tax under PAYE when you acquire shares as payment from your employment which are classed as ‘tradeable assets’ - e.g. the shares can be sold on the Stock Exchange or traded some other way.

Any taxable amount on which PAYE has been deducted should also be entered in the Employment section of TaxCalc, as Gross income on the **Employment details** screen: the PAYE should be included on the same screen. However, to ensure that you are not taxed twice on the same income, it is vital that you should also enter the taxable amount under ‘any of the taxable amount already entered elsewhere’. TaxCalc will take this into account when working out your tax bill.

Details of post-acquisition charge
Type in here details of the nature of the taxable event, e.g. rights issue, shares in subsidiary company, removal of restrictions.

Introduction

If you receive free or cheap shares in your employer's company, or the option to buy them at a set price at some point in the future, this counts as a taxable benefit. However, there are a number of 'approved' schemes that allow you to receive share incentives tax-free, providing certain conditions are met. Your employer should be able to tell you whether the scheme is approved.

If the scheme is not approved, or you breach the conditions, you may be taxed when what the Revenue calls a 'taxable event' occurs. Depending on how the scheme is set up and whether it is approved, these taxable events may be:

- The point at which you are granted an option to buy shares in the future
- The point at which at which you exercise your option to buy shares
- Receiving some other benefit from your option, for example payment for agreeing not to exercise your option, transferring it to someone else, cancelling it or releasing the company from the agreement
- Acquiring the shares themselves, either free or cheaply
- Receiving further benefits from shares previously acquired free or cheaply because of your job.

You need only enter in these screens any share incentives which are taxable in the 1997-98 tax year, or incentives from tax-free schemes which become taxable because you have not met the conditions. Do not enter here:

- tax-free incentives
- the dividends from shares you received under an incentive scheme - these are taxed just like other dividends and should be entered in the Savings and investments section of TaxCalc
- any capital gains when you eventually sell shares you received through a share incentive scheme. Enter these in the Capital gains section of TaxCalc

- profit-related pay not linked to shares. Enter this in the Employment section
- taxable amounts received from a profit-sharing scheme. These involve shares held in a special trust on employees' behalf: they are usually only taxable when you sell them early. Your employer works out the taxable amount for you and deducts the tax before passing on the proceeds. Both the taxable amount and the tax deducted should be entered in the Employment section of TaxCalc.

Unapproved share option schemes

Because unapproved schemes do not have to comply with the various conditions required for approval, they may be set up in a number of different ways. They all involve the right to buy shares in employer's company at a set price, at some point in the future. But, for example, your option may give you the right to buy shares at a discount to the market price, or you may be required to pay something for the option. These differences affect how the options are taxed: you may be taxed when the option is granted, when you exercise it, and if you give up your right to exercise it in return for some payment.

For full information on how unapproved share options are taxed, see Inland Revenue leaflet *IR16: Share acquisitions by directors and employees.*

Taxable event

Enter here a brief reference for each taxable occasion which occurred in relation to this type of scheme in 1997-98. This is not needed for the return but TaxCalc requires at least a one-character reference for identification purposes.

A 'taxable event' occurs if any of the following applies:

- you are granted an option which allows you to buy shares more than seven years in the future, at a price which is less than the market value of the shares at the date the option is granted. (Note that this seven-year limit is extended to 10 years for share options awarded after 5 April 1998.)
- you exercise the option
- you receive something in return for cancelling, releasing or transferring your option, or if you receive something for agreeing not to exercise your option.

You only need to complete this screen if any of these events took place in the 1997-98 tax year. You need to enter each 'taxable event' separately, using the 'Add taxable event' button: for example, if you exercised options to buy shares in two separate companies.

If shares are unlisted

The calculation of the taxable amount depends on the market value of the shares. If the shares are not listed on the Stock Exchange, the market value has to be agreed with the Revenue. Click here if this applies. Your employer may be able to tell you if any value has been agreed. If it has not, you should still submit your tax return using estimates, but remember to tick the 'Click here if figures are provisional box' on the **Other tax matters** screen in the Other information section of TaxCalc.

Date option was granted

This should be shown on the share option certificate, or other correspondence from your employer.

Amount paid for option

If you were required to pay something for the option itself (not the amount it cost you to exercise it, ie buy the shares), enter the amount here. You can deduct this from the value of the option when it comes to working out the taxable amount.

Number of shares bought

This is needed so that the Revenue can check your calculation of the taxable amount. It will depend on the amount you save.

Exercise price/option price per share

Enter here the price at which you eventually bought each share, e.g. £2 per share. This will have been set at the time the option was granted and will usually be either the market value at that time or the market price minus a discount of up to 20 per cent. This should be shown on the share option certificate or other correspondence from your employer. Type in the price without the £ sign, eg £4.50 should be typed in as 4.50.

Market value per share

If the taxable event was the grant of an option, enter the market value per share at the date it was granted. If the taxable event was the exercise of an option, enter the market value per share at the date it was exercised. The market value is the price you might reasonably expect to get for the shares if you sold them on the open market (your employer should be able to help you if you are unsure what this is). Type in the price without the £ sign, eg £4.50 should be typed in as 4.50.

Taxable amount - grant of an option

In some cases, the grant of an option will be tax-free. You only have to pay tax on the grant of an option which allows you to buy shares more than seven years in the future, at a price which is less than the market value of the shares at the time of the grant. So, an option to buy shares at the market value at the time of the grant is not taxable. If, in the 1997-98 tax year, you were granted an option which is not tax-free, enter the taxable amount here.

The taxable amount is the difference between the market value of the shares at the time the option is granted and the option price at which you are permitted to buy the shares, *less* any amount paid for the option. If, in future years, you exercise the option or receive any other payment for it, you can set the tax paid when the option was granted against your tax bill at the time, by claiming tax credit relief.

If the market value of the shares at the time the option is granted is £3 per share, for example, and you are granted the option to buy at £2, you are taxed on £3 - £2 = £1 per share. If you have the right to buy 400 shares, the taxable amount is £400 *less* anything you paid for the option.

A working sheet helping you to work out the taxable amount is given in the Inland Revenue's notes accompanying the 'Share schemes' supplementary pages.

Taxable amount - exercise of an option

If, during the 1997-98 tax year, you exercised an unapproved share option, or you exercised options in a scheme which had become unapproved, enter the taxable amount here. The taxable amount is the difference between the market value of the shares at the time the option is exercised and the amount paid for the shares, *less* any amount paid for the option.

If the market value of the shares at the time the option is exercised is £3 per share, for example, and you paid £2, you are taxed on £3 - £2 = £1 per share. If you buy 400 shares, the taxable amount is £400 *less* anything you paid for the option. Remember that if you paid tax at the time the option was granted, you can set this against your overall tax bill for 1997-98 - see Tax credit relief for what to enter.

A working sheet helping you to work out the taxable amount is given in the Inland Revenue's notes accompanying the 'Share schemes' supplementary pages.

Any of the taxable amount already entered elsewhere

Because of fears of tax-avoidance in some cases, employers now have to deduct tax under PAYE when you exercise any unapproved share options which:

- were granted after 26 November 1996 *and*
- are classed as 'tradeable assets' - e.g. the shares can be sold on the Stock Exchange or traded some other way.

Any taxable amount on which PAYE has been deducted should also be entered in the Employment section of TaxCalc, as 'Gross income' on the **Employment details** screen: the PAYE should be included on the same screen. However, to ensure that you are not taxed twice on the same income, it is vital that you should also enter the taxable amount under 'any of the taxable amount already entered elsewhere'. TaxCalc will take this into account when working out your tax bill.

Tax credit relief

If you exercised your option, or cancelled it, in 1997-98, and paid tax on the option at the time it was granted, you can set the tax paid then against your overall tax bill for 1997-98. Enter the amount of tax credit relief here (leave it empty if the taxable event you are now entering is the grant of an option).

Working out the tax credit relief

The amount of 'tax credit relief', as the Revenue calls it, cannot exceed the amount of tax you would have to pay on the exercise or cancellation so first you need to find out how much this is. To do this, enter and save all your data for the tax year, except for this particular taxable event (the exercise or cancellation of the option), then go to the tax summary and check the amount of income tax due. Now go back to the Share schemes section and enter all the information relating to this particular taxable event. The increase in the income tax shown when you return to the tax summary is the tax on this particular taxable event.

The amount you should enter under 'tax credit relief' is the lower of:

- The tax now due on the exercise/cancellation of the option
- The tax you paid at the time the option was granted.

TaxCalc will automatically deduct the tax credit relief from your tax bill at the appropriate point: make sure that the amount is entered under 'additional information' as the Revenue requests.

Taxable amount - amount received for cancellation/release

If you receive something in return for cancelling, releasing or transferring your option, or if you receive something for agreeing not to exercise your option, enter here the amount you received. You pay tax on this amount *less* anything you paid for the option (which you should already have entered at the top of the screen). TaxCalc will take the amount you enter here, deduct anything you paid for the option, and enter the result in the correct place on the 'Share Schemes' supplementary pages.

Remember that if you paid tax at the time the option was granted, you can set this against your overall tax bill for 1997-98 - see Tax credit relief for what to enter.

Approved savings-related
Approved discretionary
Unapproved share options
Shares acquired

This summary shows your liability to income tax, Class 4 National Insurance (if you are self-employed) and Capital Gains Tax. It also shows how much you actually need to pay the Inland Revenue.

Using TaxCalc means that you don't have to get to grips with the ins and outs of tax law. But for a brief introduction to how the Inland Revenue (and TaxCalc) work out your tax bill, run the video clip [title of clip]. You can find this in the 'Basics' section of the help menu. If you do want to see TaxCalc's detailed workings, click on the 'Tax' menu for a tax calculation working sheet, based on that supplied by the Inland Revenue. It is important that you look at the correct tax summary, which depends on the types of income and gains you have.

Use the lump sums summary if you have life insurance gains, refunded FSAVCs, redundancy or compensation on leaving a job, or income (which has had basic-rate notional tax deducted) from the estate of someone who has died.

Use the capital gains summary if you have taxable capital gains.

Use the basic summary only if you have neither capital gains nor lump sums.

Use the capital gains & lump sums summary if you had both capital gains and lump sums.

We recommend that you also run Tax Saver, which may be able to suggest some ways that you can save tax either now or in future years, eg by making the best legal use of your personal allowances.

Total tax due

This is the tax due after taking into account tax you have already paid, such as PAYE on earnings from employment or a pension, payments on account already made on income from self-employment, and tax deducted from investment or other income before you received it. It also makes adjustments for any tax outstanding from previous years, or a 1997-98 tax refund already received, or amounts to be collected through the PAYE system.

Note
TaxCalc will not give you the right answer if you have not entered details of tax owing from previous years, tax refunds, or PAYE adjustments. Go to the **Tax paid** and **Other tax matters** screens in the Other information section of TaxCalc to check the amounts you entered.

Payments on account for 1998-99

Under the system of self-assessment, you may have to pay your tax in instalments if you are self-employed, have income from property, or receive any other income which is not taxed before you get it. These 'payments on account', as they are called, are equal to half of your income tax and class 4 National Insurance contributions liability for the previous tax year (capital gains tax is payable in one go on 31 January after the end of the tax year in question).

However, you do not have to make payments on account for 1998-99 if your tax outstanding from 1997-98 is below £500 or if most (80%) of your tax is collected at source. TaxCalc takes this into account. You may also be able to claim a reduction in your payments of account in some circumstances, eg you expect your income to fall - see the notes to the Inland Revenue's Tax Calculation Guide.

TaxCalc will automatically put this payment on account figure in your tax return unless you have told TaxCalc that you do not want to calculate your own tax (in the **Personal details** screen). If you want to claim to change your payment on account you must enter the appropriate alternative figure in the **Tax paid** screen in the Other information section of TaxCalc.

Tick if tax of less than £1,000 is to be collected through PAYE

If you pay tax through PAYE, and have tax of less than £1,000 outstanding from 1997-98, the Inland Revenue will collect it through your PAYE code (so that the tax is deducted bit by bit from your weekly or monthly pay). However, if you prefer, you can opt to pay amounts under £1,000 separately, rather than through your tax code, by clicking on the appropriate box on the **Other tax matters** screen in the Other information section of TaxCalc. If you are not taxed under PAYE a tick will still appear unless you tick the box in the **Other tax matters** screen.

Payment due on 31/1/99

The 31 January tax payment each year 'sweeps' up all the tax outstanding for the previous tax year. But it is also the date for your first payment on account (if you make them) for the current tax year. So the figure TaxCalc will show you as being due to pay on 31 January 1999, may comprise:

- any tax outstanding from 1997-98 (unless this is less than £1,000 and being collected through PAYE)
- your first payment on account for 1998-99
- *less* any tax repayments you are due because you are carrying pension contributions made after 5 April 1998 back to the 1997-98 tax year, or because you have claimed to carry back trading losses.

What to do next

Please check that you have given all the necessary information, in particular:

- if you are due a tax repayment, whether you want it paid out to you rather than set against future tax bills (on the **Claim tax repayment** screen in the Other information section)
- if you want to tell the Revenue the amount of tax you owe, rather than getting the Revenue to calculate it as well and using TaxCalc's figure only as a check (in the **Personal details** screen)

if you want to claim to change your payment on account - if so you must also enter the appropriate alternative figure in the tax **paid** screen in the Other information section of TaxCalc.

If you want to find out more about self assessment and how it affects the way in which you pay tax, see the help file 'You and the Inland Revenue'.

Basic calculation
Lump sums calculation
Capital gains calculation
Capital gains & lump sums calculation

Tax calculation working sheets

TaxCalc bases its calculations on the 'tax calculation working sheets' used by the Inland Revenue. The basic working sheet is sent out with the tax return, but there are alternative versions for people in various circumstances.   In working out your tax, TaxCalc uses the right version for you, depending on what you enter, and for ease of comparison the reports it gives you are laid out like the Inland Revenue working sheets, using the same box reference system but omitting some of the shading and detail for ease of printing. (If a box is omitted from the numbering, this is because it refers to something not handled by TaxCalc, for example, tax credit relief on foreign income.)

If you want help to explain how TaxCalc arrived at your final tax bill, click on the situation below which applies to you:

- you made a taxable capital gain in 1997-98
- you received taxable lump sums from life insurance or from your employer (on leaving a job, say)
- you had both of the above
- you had neither of the above.

We recommend that you have a copy of the appropriate Inland Revenue working sheet to hand for reference (copies are available from the Inland Revenue Orderline, Tel: 0645 000 404, e-mail: saorderline.ir@gtnet.gov.uk). The notes accompanying the working sheets also give useful explanations of how the tax is worked out.

Under self assessment there is one main eight page tax return form (with alternative versions for different types of taxpayer, including partnerships), plus several different Supplementary Pages for taxpayers with particular sources of income.

Which pages to choose

Choose the appropriate version of the TaxCalc facsimile for the main eight page tax return and the supplementary pages which cover the income and capital gains which you received in the 1997-98 tax year.

> **Warning**
> You are required by law to give information of any taxable income you receive, even if you are not sent a tax return, or even if the income you receive is not specifically covered by the tax return you are sent.

How to print and submit your Return

If you wish to print your Return on coloured paper (so as to be able to readily distinguish originals from photocopies, for instance), it will be acceptable for a cream or other pale pastel coloured paper to be used. It is important, though, that all printed matter (background text and data entries) is clear and easy to read on coloured paper. The form must be suitable for producing clear photocopies. **Dark or bright colours of paper must be avoided**. The Inland Revenue are happy to advise on the acceptability of any coloured paper which you might be considering, if a specimen printed page can be supplied prior to usage.

> **Important Note**
> TaxCalc offers you the facility of printing out a *draft* return form. You can use this for your records or for checking the figures, however, **it will not be acceptable to the Inland Revenue as a tax return form**.
>
> You must send them either a colour or black and white copy of the facsimile form, which has been approved.

You should print your return form on A4-sized paper.

The sheets must be assembled in the correct sequence and be wire-stapled together. Loose sheets will not be acceptable to the Revenue. Stapling should be in the top left-hand corner or in the left-hand margin. Care should be taken to ensure that all text on each page is visible after printing.

You must complete this screen to be sure that TaxCalc calculates correctly the amount you owe to the Revenue. It accounts for any tax you have already paid for the tax year, refunds you have already had, and any adjustments that the Revenue has already made to your tax outstanding through your PAYE code. Please be careful not to enter here any tax you have already entered elsewhere in TaxCalc.

Payments on account for 1997-98

For some types of income you may make an interim payment of tax (known as 'Payments on Account'). This particularly applies to income from self-employment, people with rental income and those with savings income which has not been taxed at source. For the 1997-98 tax year, you make these payments on account (if they apply) on 31 January 1998 and 31 July 1998 - so, if you are using this programme before 31 July 1998 you will have just one payment on account to include, and if you are using it after that date you will have two payments.

You can get this information from the statements of account the Revenue sends you. However, you should not include payments which have been set against interest, penalties or surcharges (these do not count, of course, as tax paid). Nor should you include tax arising from earlier years which appears on your statement of account (enter this under 'Unpaid tax for earlier years').

1997-98 tax refunded

It is possible that the Revenue (or your DSS Benefit Office) may have refunded tax you have already paid for 1997-98. This might apply, for example, if you are a non-taxpayer who has reclaimed tax credits on share dividends part-way through the year, or if your DSS office has refunded tax following a period of unemployment. If this is the case enter the amount refunded here - but only if it relates to tax paid in the 1997-98 tax year.

Unpaid tax for earlier years included in your tax code for 1997-98

If you pay tax through PAYE, the Inland Revenue tries to keep your tax code in line with your circumstances so that you pay the correct amount of tax. However, your tax code for 1997-98 may have been adjusted to collect unpaid tax from previous tax years. If so, your form P2 Notice of Coding for 1997-98 (which you should have received early in 1997) will show the amount of the tax that is being collected in this way. Enter this figure here.

If you no longer have your P2 Notice of Coding, but you think this may apply to you, speak to your tax office who will be able to help you and give you the relevant figure.

Tax due for 1997-98 already included in your tax code for next year (1998-99)

If your tax code for 1997-98 was reduced during 1997-98 there may have been an underpayment of tax for the months before the code was reduced. If this happened, arrangements will have been made to collect this underpayment through your tax code for 1998-99. The amount of the underpayment will have been notified to you on a P2 Notice of Coding issued to you in 1997-98. You should copy the figure entitled 'estimated underpayment' shown on the bottom of the last P2 Notice of Coding you received for 1997-98.

Unpaid tax for earlier years

You may have rearranged your affairs in a way which means that you have paid too little tax for earlier years, for example if you are claiming to carry back income from a business which has ceased to a previous year. Use this box to enter any such unpaid tax from previous tax years NOT accounted for in a PAYE code.

Overpaid tax for earlier years

You may have rearranged your affairs in a way which means that you have overpaid tax in earlier years - for example, if you are claiming to carry back losses. If so, you will need to work out how much tax or Class 4 NICs you overpaid, by reference to the tax rates and your circumstances for that particular tax year. Enter the amount of any overpaid tax here, and also under 'Additional information' on the next screen, **Other tax matters**.

1998-99 tax you are reclaiming now

You may have made various payments or losses after 5 April 1998 which you are claiming to treat as if made in the 1997-98 tax year. If you are claiming to carry back personal pension or retirement annuity contributions *do not* enter the saving here - TaxCalc will work out the relief and enter it for you automatically. However, if you are claiming to carry back a trading loss or capital loss made after 5 April 1998 you need to work out the tax saving yourself and enter the amount of the saving here.

Claiming to reduce your payments on account

Some people have to make two 'payments on account' for 1998-99. Each payment is equal to half of the income tax and Class 4 National Insurance contribution liability for 1997-98. The first payment is due on 31 January 1999 and the second on 31 July 1999.

Payments on account have to be made by:

- the self-employed
- people with income from land or property (including holiday lets)
- people with some savings income - not already taxed at source

UNLESS

- the amount of tax owed in 1997-98 was £500 or less, **or**
- most of the tax you pay (at least 80 per cent) is collected at source, ie via PAYE

If you have to make payments on account, and you have told TaxCalc that you want to send in its calculations of tax due to the Revenue with your tax return (see the **Personal details** screen), TaxCalc will enter in your tax return the amount of your payments on account for 1998-99. You can see what this is by going to the relevant detailed tax summary on the 'Tax' menu.

You can reduce your payments on account if you have good reason for doing so. This might happen if:

you expect your income in 1998-99 to be lower than your income in 1997-98, **or**

you expect your allowances or reliefs to be higher, **or**

you expect more of your income will be taxed at source in 1998-99.

You must make a reasonable estimate on the basis of the information you have now of your expected tax liability for 1998-99.

If you want to reduce your payments on account, tick the box and enter the amount of each reduced payment on account you wish to pay.

Example

Tax liability 1997-98	£5,000
Payments on account would be:	£2,500 31 January 1999
	£2,500 31 July 1999
Expected tax liability 1998-99	£3,000
difference	£2,000
You may reduce your payments on account to:	£1,500 for 31 January 1999
	£1,500 for 31 July 1999

Note
Put the reason you have reduced your payments on account in the additional information section. Use the button on the screen **Other tax matters** under the Other information tab.

Warning
If your overall tax liability for 1998-99 turns out to be higher than you have estimated, and you have paid less than you needed to - you will be charged interest on the difference between the amount you should have paid (ie 50 per cent of your 1997-98 liability), and the amount you did pay. If you pay too much you will receive interest on your overpayment, but the rate of interest charged on underpaid tax is roughly twice as much as that earned on overpaid tax. So be careful in your estimation for next year.

Personal Details

Income

Income from employment

Income from self-employment

Partnership income

Income from savings and investments

- Dividends
- Other investment income
- Life insurance

Foreign income
- Savings
- Property
- Other income from abroad
- Entered elsewhere

Income from benefits
- Benefits

Income from pensions
- Pensions

Income from property
- Furnished holiday lets
- Other property income

Other income
- Trusts/settlements
- Estates
- Maintenance
- All other income

Reliefs

- Mortgages
- Loans
- Pension contributions
- Maintenance
- Charitable covenants
- Gift Aid donations
- Vocational training
- Venture capital trusts
- Other reliefs

Allowances

- Married couple's allowance
- Transitional allowance
- Blind person's allowance
- Additional personal allowance
- Widow's bereavement allowance

Capital gains tax

Other information

Enter the name of your tax inspector, the address and phone number of your tax office, your tax reference number and the date of issue of your tax return as printed on the first page of the return sent to you by the Revenue. You only need to do this if you intend to use TaxCalc to produce a tax return to send to the Inland Revenue.

Official use

On some tax returns the Inland Revenue is printing a reference number labelled 'Official use'. This appears at the top of the first page of the Return. If you see such a number on your tax return, type it in here.

Your employer's contributions to an 'approved' or statutory pension scheme.

Life and sick pay insurance, provided the scheme meets certain conditions.

Routine health checks or medical screening (but follow-up treatment may be taxable).

The cost of medical treatment (or insurance to cover it) while you are working abroad.

Fees and subscriptions paid by your employer to approved professional bodies.

The first 15 pence worth of luncheon vouchers each working day.

Workplace nurseries and playschemes provided by your employer.

Free or subsidised canteen meals provided for employees generally.

Clothes specially needed for your work and paid for by your employer.

Reasonable removal and relocation expenses when you have to move to a new job or are transferred and need to change your main residence, up to a maximum of £8,000 per move.

Genuinely personal gifts, such as wedding or retirement gifts (but not money as a retirement gift): awards - but not money for long service of 20 years or more - within limits. See Help Sheet IR207, *Non-taxable payments or benefits form employees*.

Gifts costing up to £150 from business contacts.

Christmas party or other similar annual function that is open to all staff and costs £75 a head or less.

The value of entertainment (eg business lunches) provided by someone other than your employer.

Shares you get through an approved profit-sharing, SAYE or executive share option scheme (within limits).

New shares bought under a preferential scheme through your job: any benefit you get from receiving more shares than members of the public will not be taxed as income provided certain conditions are met.

Prizes for certain ideas put forward through staff suggestion schemes - £5,000 maximum.

Books and fees paid for by your employer for some external training courses. Extra travel expenses and living costs may not be taxable either. See Help Sheet IR207, *Non-taxable payments or benefits for employees*.

In-house sports facilities available to employees generally.

Retraining courses for employees who are leaving (or left within the last year), provided certain conditions are met.

Taxis paid for by your employer to take you home if you occasionally work until 9pm or later (not regularly or more than 60 times a year). Public transport must have closed down or it must be unreasonable to expect you to use it.

Free car parking spaces at or near your workplace.

Living accommodation provided it is either necessary for you to do your job, or customary for someone doing your job (but it may be taxed if you are a director).

Living accommodation as part of special security arrangements if there is a threat to your security because of your job.

Essential travel, accommodation and subsistence payments if you are temporarily absent from your normal workplace (ie you are expected to return before 12 months is up).

Incidental overnight expenses, eg newspapers, if you are away overnight on business, provided these do not total more than £5 a night (£10 overseas). Payments over these limits are taxable in full.

Travel and subsistence payments when public transport is disrupted (eg by strikes) or for severely disabled employees incapable of using public transport (in the latter case, travelling expenses for your spouse may also be tax-free).

These are the main assets and transactions that are free of CGT, subject to certain conditions:

- gifts between husband and wife
- gains on your only or main home (unless you let it, are away for substantial periods, use part exclusively for business, or bought it exclusively for profit)
- private motor cars
- prizes and betting winnings (including National Lottery prizes)
- British Government stocks, qualifying company loan stock and building society Permanent Interest Bearing shares
- sterling cash or foreign currency for your own use abroad
- most cashbacks (eg paid as an inducement to take out a mortgage)
- gifts to charities, 'national heritage bodies', local authorities, government and universities
- proceeds from life insurance policies (unless bought second-hand)
- compensation for personal or professional wrong or injury
- compensation for mis-sold personal pensions
- National Savings schemes
- Personal Equity Plans
- shares in the Business Expansion Scheme, Enterprise Investment Scheme or qualifying Venture Capital Trusts
- gifts of land to a registered housing association
- personal possessions with a predicted useful life of 50 years or less (known as 'wasting assets') provided you have not used them in your business so that it qualified for capital allowances
- personal possessions with a predicted useful life of more than 50 years are tax-free if the disposal proceeds are £6,000 or less. (This £6,000 figure is separate from your tax-free slice allowed for gains during the 1997-98 tax year.) If the disposal proceeds are more than £6,000, your taxable gain is either your actual gain or 5/3 of the excess over £6,000, whichever is lower.

  If the disposal proceeds are less than £6,000 and you have made a loss, you are assumed to have received £6,000. So if you buy a picture for £7,000 and sell it for £5,000 you are deemed to have made a loss of £1,000.

  If you sell a set of articles, for example a set of matching chairs, separately, but to the same person, the Revenue is likely to treat the sales as a single sale. So if you sold six chairs for £2,000 each, you would be taxed as if you had made a single sale of £12,000 - not six sales of £2,000 each.

The main sources of tax-free income you do not have to declare on your return are:

- some social security benefits and a few special pensions
- Council tax, housing benefit and rent rebates
- grants for improving or insulating your home
- most grants or scholarships for education
- approved adoption allowances
- National Savings Certificates
- Ulster Savings Certificates if you normally live in Northern Ireland and lived there when you bought the certificates or when they were repaid
- National Savings Children's Bonus Bonds
- Save As You Earn contracts
- the proceeds of regular-premium life insurance policies (if held for ten years or three-quarters of its term, whichever is shorter)
- withdrawals from single premium life insurance policies if they do not exceed five per cent of premium per annum. The allowance can be rolled over if not used
- tax-free friendly society savings schemes
- Personal Equity Plans (except for some interest on cash)
- TESSAs (Tax Exempt Special Savings Accounts) unless you closed your TESSA before five years were up - for details ask your tax office for leaflet IR114 *TESSA - Tax Free Interest for Taxpayers*
- interest awarded by a UK court as part of an award of damages for personal injury or death
- premium bond and gambling prizes (including the National Lottery) - unless you bet (eg on horses) for a living
- maintenance or alimony received under a legally enforceable agreement or court order first made on or after 15 March 1988
- income from a covenant
- family income benefit life insurance policies
- strike and unemployment pay from a trade union
- interest on a tax rebate.

Additional information

This section will only apply to you if you are a married woman who got married to your present husband before 6 April 1990.

Husbands and wives can't normally transfer any unused portion of their personal allowance to their spouse. But this rule could mean that the total allowances given to a married couple dropped as a result of the change to independent taxation in 1990-1991. To avoid this, special rules can be applied where a husband's income was lower than his personal allowance in 1990-1991. These rules allow a husband to transfer some of his unused personal allowance to his wife for 1997-98 - the amount transferred is known as transitional allowance.

To get transitional allowance you need to have been eligible for transitional allowance in 1990-1991, and in every tax year since. Enter the amount you received in 1996-97, and the amount of your 1996-97 personal allowance - TaxCalc will calculate how much can be transferred, but broadly it will be the smaller of:

- the amount of allowance the wife received in 1990-91 less any increase in her personal allowance and the married couple's allowance
- the amount of the husband's personal allowance which he can't use himself.

To claim the allowance, TaxCalc will tick the appropriate box in the tax return or, if you are not using TaxCalc to produce a return, contact your tax office.

Additional information

If you are claiming transitional allowance, give your husband's name, address, tax reference, National Insurance number and Tax Office in the 'Additional information' section on this screen.

You can invest in qualifying unquoted trading companies by buying shares in Venture Capital Trusts (VCTs).

You are eligible for income tax relief at 20 per cent on investments up to £100,000, however, relief is withdrawn if shares are disposed of within five years unless they are given to your spouse (or the disposal is due to the death of the holder). The relief will also be withdrawn if the VCT loses its qualifying status within the five year period. If you claimed relief on VCTs and later disposed of the shares, or the approval of the VCT has been withdrawn, click the box: your tax relief may be clawed back.

Enter the name of the Venture Capital Trust in which you are investing, its date of issue (optional) and the gross amount invested in the VCT during the 1997-98 tax year.

You can claim tax relief on fees paid for training leading to a National or Scottish Vocational qualification. Only tuition fees qualify. You cannot claim if you are receiving financial assistance under a government scheme or local authority grant.

Enter the name of the organisation and the amount you actually paid towards fees during 1997-98. This will have been paid net of basic-rate tax - don't enter the tax relief given at source - only the amount you paid.

You will need to get a letter or receipt from the college or institution, showing the tuition fees that have been paid. This should also confirm the amount of tax deemed to have been deducted. You don't need to send this with your tax return - but you must keep it with your tax records in case your tax office ask to see it.

If you are a lower or basic-rate taxpayer there is no further tax relief due. However, further relief of 17 per cent will be given if you paid tax at the higher-rate.

A widow gets this allowance for the year of her husband's death, and the following tax year. She must have lived with her husband for at least part of the tax year in which he died. For 1997-98 the allowance is worth 15 per cent of £1,830, ie £274.50, deducted from her tax bill.

To claim the allowance, enter the date of the husband's death: you may also have to complete the married couple's allowance screen, see the note below.

For more information see Inland Revenue leaflet IR91 *A Guide for Widows and Widowers*.

Note
In addition to the widow's bereavement allowance, in the year of death a widow is entitled to any of the married couple's allowance not used against her husband's income. If, as a couple, you had already elected to transfer or share the married couple's allowance for this year, this election is ignored: all the married couple's allowance is first set against the husband's income, any excess going to the wife. To make sure that TaxCalc takes this into account:

1. ensure that the 'Allocation of allowances' box on the **Married couple's allowance** screen gives all the allowance to the husband;
2. enter details of the husband's income etc. for the year of his death in his own TaxCalc file, ensure that the 'Allocation of allowances' box on the **Married couple's allowance** screen gives all the allowance to the husband, and then click on the TaxSaver icon to see how much of his allowances remain unused
3. return to the wife's file and enter the husband's unused allowances in the married couple's allowance screen (and blind person's allowance screen if there is unused blind person's allowance to transfer).

Retirement relief

A form of tax relief on the capital gains you may realise on the disposal of a business when aged 55 or over or retiring before then due to ill-health. Note that it is being phased out after 5 April 1998.

These are the most common expenses you can claim to set against your income from property:

- Mortgage/loan interest payable on the property. See Loan to buy or improve property you let
- business rates, council tax, water rates, ground rent, feu duty (in Scotland)
- normal repairs and decoration (not repairs necessary when you bought the property or improvements, additions or alterations to the property)
- management expenses as a landlord (stationery, telephone bills etc)
- cost of insurance (excluding any portion for private cover) and any necessary valuation for insurance
- legal fees for renewing a tenancy agreement (for leases up to 50 years), accountancy fees
- estate agent's fees, accommodation agency fees, cost of advertising
- rent you pay for a property which you, in turn, sublet
- cost of lighting common parts of the property
- cost of services you provide including wages of people who provide such services (for example, cleaners or gardeners)
- cost of maintenance and repairs made unnecessary by improvements you've made, as long as you haven't changed the use of the property
- cost of maintaining roads, drains, ditches etc on an estate you own, if for the benefit of the tenants
- heating, lighting and tenants' telephone bills you pay
- wear and tear allowance (not available for furnished holiday accommodation) or renewals of fixtures and fittings, cost of specific repairs to furniture
- cost of preparing an inventory.

Where possible, keep receipts for the expenses you are claiming. If your total rents before deducting expenses are £15,000 or more, you will have to submit a detailed statement of your expenses with your tax return.

Notional tax

This is tax which you are regarded by the Revenue as having paid but which you cannot reclaim, even if you are a non-taxpayer.

Wear and tear

If you let out furnished accommodation in the UK (other than as furnished holiday lettings) you cannot claim capital allowances. Instead, you can claim an allowance for wear and tear on fixtures, furniture and furnishings. You can claim either the actual cost of fixtures, furniture etc you replace during the year (called a renewals basis), or a proportion (normally ten per cent) of the rent less, if you pay them, service charges and water rates. Once you've chosen a basis, you must stick to it.