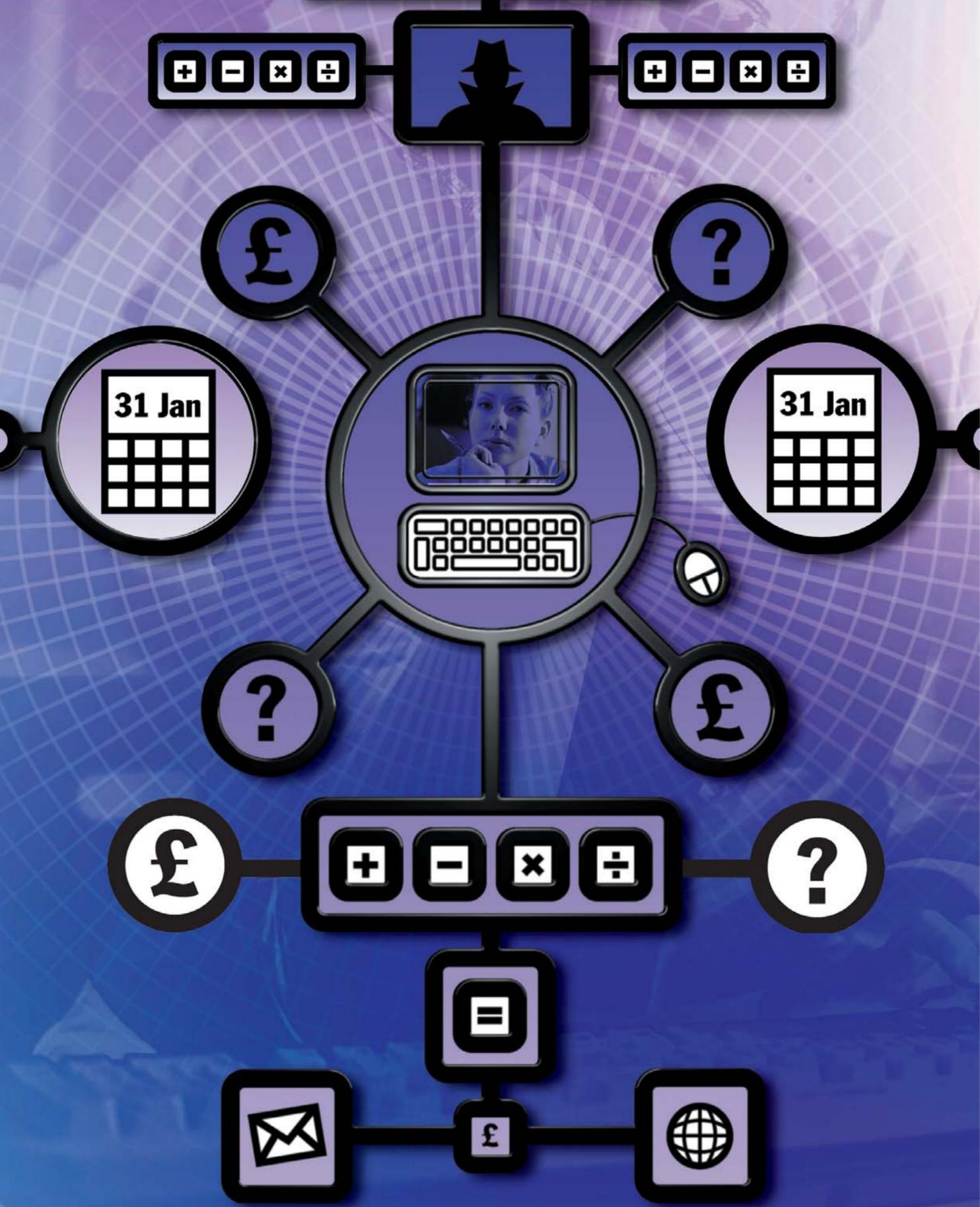


The Taxman



Taxing issues

Completing your tax return form is a tedious end-of-year job but, with the deadline looming, it's something you can't put off. James Taylor talks you through the financial packages available – leaving you one less thing to worry about come 31 January

It's the season of goodwill to all men, and the last thing you want to be thinking about now is your finances. In the post-Christmas slump those dark, wintry nights tend to leave us all feeling less than inspired and certainly far from motivated to fill out laborious tax return forms. But needs must and the inescapable truth is that you'll have to get moving to avoid becoming liable for financial penalties.

The deadline for tax returns is 31 January and this is also the date by which any outstanding payments for the tax year ending 5 April 2001 must be paid. Missing this date means you could incur a penalty of £100. Always reluctant to relinquish its pound of flesh, the Inland Revenue also starts calculating interest on unpaid tax from this date. Depending on your circumstances, you might also be liable for a first payment on account for the tax year ending on 5 April 2002. And there's an automatic five percent surcharge that begins on 28 February.

Income tax returns are daunting documents, especially if you're working under a looming deadline, but several software publishers have developed programs to help. These fall into two broad categories – those you run from your hard drive and those that you can only use online. We'll compare several different packages over the next few pages so that you buy the right package for you and your business. Programs marked with the CD icon are in demo version on our cover disc.

We'll also look at newly-introduced and existing tax legislation such as IR35 and discuss how it affects IT contractors, part-time and freelance workers and point you in the direction of helpful websites where you'll find further information.

Form filling

Every time the Chancellor announces another budget, sneaking in new taxes, increasing rates or decreasing allowances, the information in your financial software package becomes out of date. Because of this, you need new software each year.

You can buy tax software on CD, download it for free from the web or use an online service in real-time. Though more limited, these options may be adequate for your needs. Some tax-calculation software just replicates the paper tax return form (though with context-sensitive help) but mostly you are subjected to an onscreen 'interview', which extracts the same information in a friendlier way. On completing your tax return, you usually have the option of either printing it out for posting or sending it electronically to the Inland Revenue, called FBI (filing by internet).

ON THE COVER DISC E-taxchecker.com

This program is made by Assured Solution Providers, a subsidiary of tax specialists TaxLink. It lets you choose between its questionnaire and the facsimile IR (Inland Revenue) pages. You can switch between the two at any time. The IR form entry is useful because its navigator shows you how far through the process you are. With either you can move around between questions as you like, but you cannot move to detail pages without completing the relevant main question.

→ E-taxchecker.com includes support for filing by internet

A getting started guide, IR-based notes delivered as PDF (portable document format) and the program's own context-sensitive guidance notes (which you'll need good eyesight to read) all help you get to grips with the software. Built-in data validation routines help you to avoid the most common mistakes people make when completing their tax returns. As well as checking your arithmetic, the program generates a payment schedule detailing timing and amounts of tax to be paid.

Using E-taxchecker.com qualifies you for a review of your return by TaxLink experts before submission at a cost of £14.99 if you have registered the program. A slightly cheaper, and not quite so fast, version of this program, known as Online Taxchecker, can be downloaded. It enables the user to instantly complete a single return with minimal fuss and is useful for overseas taxpayers who might not be able to get a CD in time.

Assured Solutions Providers: 0870 160 0942; www.e-taxchecker.com; price: £19.99 for E-taxchecker; £17.49 for Online Taxchecker

ON THE COVER DISC Instant Tax Refund 2001

This software won't help you to fill in your tax return. What it might do, in the specific circumstances of you being a company employee (rather than self-employed) working at home or incurring related expenses 'wholly, necessarily and exclusively' during your employment, is get the taxman to give some back. In other words, it evaluates any claim you might have for tax relief on expenses necessarily sustained in the performance of your job. These expenses might include the use of part of your home, desk and other furniture, equipment like a computer

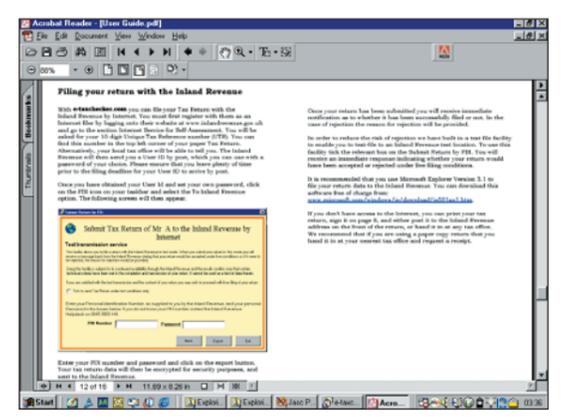
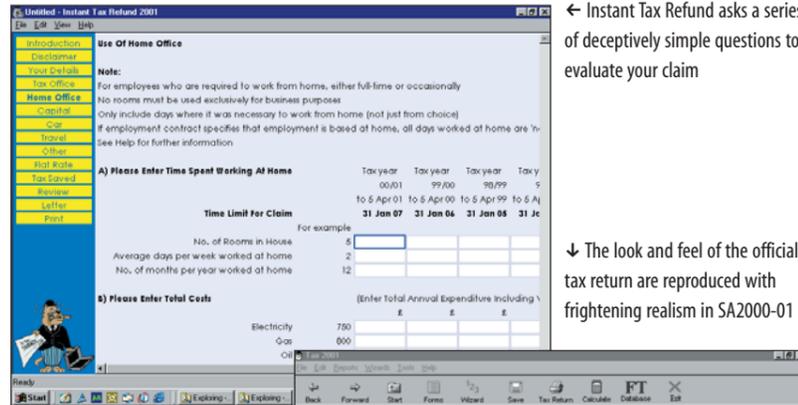


ILLUSTRATION: JESS READ



← Instant Tax Refund asks a series of deceptively simple questions to evaluate your claim

↓ The look and feel of the official tax return are reproduced with frightening realism in SA2000-01

and peripherals, your car, other travel costs, telephone, tools and even stationery.

The program works by soliciting answers to a series of questions then, having determined that you are due for a refund, drafts a letter to your tax office for you. You can claim tax back for up to six years after the tax year-end if there was an error or omission. Instant Tax Refund 2001: 0800 064 0270; www.instanttaxrefund.co.uk; price: £39.95

Personal Tax Reporter Solo

Personal Tax Reporter Solo is published by TaxShield, a subsidiary of chartered accountants Price Pearson. It shares this pedigree with the publisher's tax products for professional and corporate use. It produces Inland Revenue-approved personal tax returns and calculates your tax liability and any payments on account. It is designed for use by up to three individuals, although you can buy an extra licence for £40 that lets you prepare up to five returns.

The interview interface is logically divided into sections, such as personal details, income, reliefs, allowances, tax liability and so on, with each section then further divided into clearly tabbed sub-sections. Finding your way through the document is made easier by a navigation panel, which is permanently on view. You can move back and forth between questions at will.

Personal Tax Reporter Solo comes with a full set of tax return pages in PDF (although you have to tell it where on your hard drive Acrobat Reader resides). The

program has the distinct advantage over the Inland Revenue's paper version of being searchable. TaxShield: 01384 456 780; www.taxshield.co.uk; price: £23.49

SA2000-01

SA2000-01 is a set of spreadsheet templates replicating the Inland Revenue's documents that will calculate your tax liability and payment on account. It features pages covering all the IR forms needed by most taxpayers, which you can print out to send to the Inland Revenue. It's comprehensive, but is specifically designed for Microsoft Excel, which makes it less desirable for those that aren't familiar with this spreadsheet application.

You can only get SA2000-01 as a download from the web. It costs nothing, apart from the price of the download, but if you want to print the results

→ SA Online lets you come back to your saved work at any time

or submit them by internet you'll have to buy a code number (credit card only). Again, you get this from the publisher's web pages at the bargain price of £7.50. Quality Management Software: 01453 761 956; www.sa2000.co.uk; price: £7.50

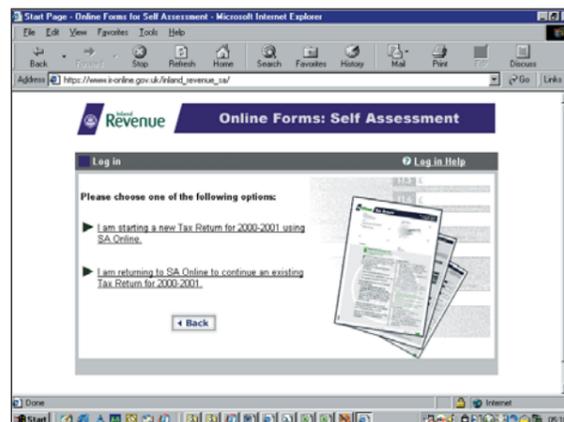
SA Online

The Inland Revenue is providing its own online-only self-assessment service, SA Online. What's more, it's free. Mind you, it's only suitable for those with uncomplicated tax circumstances, limiting itself to the core tax return form SA100, the employment pages SA101 and the self-employment pages SA103. If these are all you need, you will be able to complete, save, print and send your tax return via the internet option. You do have to factor in the cost of your internet access. Support is by a telephone helpline.

You can use SA Online if you've had no more than 15 jobs in this tax year. Alternatively, you can have had one period of self-employment (SA103) in this tax year. You cannot use SA Online if you need to complete other supplementary pages. Inland Revenue: 0845 605 5999; www.inlandrevenue.gov.uk; price: free



Another software program that won't help with the mechanics of filling in your tax return. This, the 105th edition of Smith's Taxation (a full version of the 103th edition is on the cover disc, and a trial of the 104th), is a comprehensive guide and reference to the British tax system aimed at professional tax advisors and accountants. If your tax affairs are simple, you won't need this program. But if they are the slightest bit complicated and you



need to familiarise yourself with any aspect of personal or company taxation, this is where you'll find the complete, up-to-date official information you need. Perfect Cover: 01278 691749; www.smithstaxation.co.uk; price: £37.99

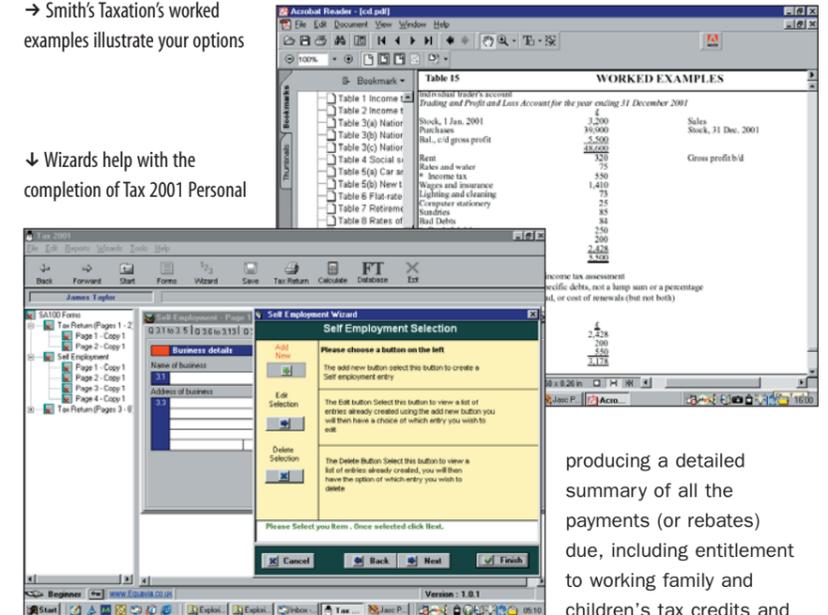
Tax 2001 Personal

Tax 2001 Personal produces tax returns for up to three individuals, generating all the Inland Revenue's supplementary pages (unless you happen to be an MP, a minister of religion or a self-employed Lloyd's underwriter). It also handles the so-called short version 'partnership return': the company says that if you need to complete the full partnership return, it will sell you its professional version software at £8 for a single user, but without FBI (file by internet).

There's a set of IR notes and help sheets in PDF, all individually accessible. You get a Tip of the Day when you run the software, wizards for key entries, a password option and a diary with reminders for key dates in the self-assessment procedure. There's also support and tax advice by telephone at 50p per minute and free updates if legislation changes within the financial year. There's a 14-day money-back guarantee, too. Equa Via: 0870 750 4722; www.equavia.co.uk; price: £19.99

→ Smith's Taxation's worked examples illustrate your options

↓ Wizards help with the completion of Tax 2001 Personal



If you've only ever heard of one brand of tax software, this is probably it. Published by Which? Software (part of the Consumers Association), TaxCalc is almost certainly the most widely advertised program on the market. TaxCalc 2001 offers a simple fact-finding interview format that guides you through the completion of your IR forms,

producing a detailed summary of all the payments (or rebates) due, including entitlement to working family and children's tax credits and student loans. You get plenty of help with the facts and figures, together with comprehensive taxation advice and explanation, as you would expect from a product carrying the Which? badge of approval.

A significant part of TaxCalc's value lies in its extensive context-sensitive help screens. These include information on topics such as company cars, separation, divorce and pensions.

£ Making your tax work

Self-assessment, and the obligation to send in a tax return, mainly affects the self-employed. If you work for yourself, you enjoy more favourable tax treatment than employees. The Inland Revenue therefore has guidelines to decide whom it will regard as self-employed (see Inland Revenue leaflet IR56).

If you do count as self-employed, you are taxed on your profits (or losses). Your taxable profits are, broadly, annual takings less the cost of raw materials or goods bought for resale, allowable expenses and capital allowances. You can treat capital items like computers, with an expected life of less than five years, as 'short-life assets' and get immediate tax relief for any loss on their disposal.

You also have to pay tax on income on an 'accruals' basis, that is, based on invoices issued, regardless of whether any payment has been received. If you are registered for VAT, you deduct that from your invoices first, of course.

Self-employed people pay Class 4 National Insurance contributions on profits from any trade, profession or vocation unless exempted or profits are below £4,385 for 2000-01.

To stop people setting up as employees of their own businesses purely to avoid the tax advantages of self-employment, the Inland Revenue introduced new legislation in the Finance Act 2000, schedule 12, colloquially known as IR35. Individuals who provide personal services to companies (but not individuals) by way of their own service company may end up losing the tax advantages of such companies if they fall foul of the self-employment guidelines. For more information, call the Self Assessment Helpline: 0845 9000 444 or the IR35 Helpline: 0845 303 3535.

If you decide you need an accountant to help with your self-assessment, you'll find 12,000 of them listed on Accounting Web's online accountants directory at www.accountingweb.co.uk/cgi-site/accountants.cgi. You'll also find tax guides, tax calculators and lists of tax specialists on the home page.

Tax Offices or Inland Revenue Tax Enquiry Centres offer free advice, as do Citizens Advice Bureaus (www.nacab.org.uk/index.html). Finally, TaxAid (020 7624 3768 or www.taxaid.org.uk), is a registered charity offering free advice and assistance on tax and tax debt to those who cannot afford professional fees.

There's also a brief description of many Inland Revenue leaflets, so you can decide which ones you should read in full, plus the complete text of several of those most commonly requested.

There appears to be no restriction on the number of users TaxCalc can advise and inform, so it would seem that you could settle the tax affairs of all your family and friends.

TaxCalc 2001 Lite on the cover disc is a free version of the same software. Apart from the restricted supplementary pages, both TaxCalc versions are identical in appearance and functionality. If you register Lite you can get email support (only) for both technical and taxation queries. If, having used TaxCalc Lite to prepare your Return, you want to send it in either by post or via the internet, you'll have to upgrade to the full version of TaxCalc. Which? Software: 0800 920 140; www.taxcalc.com; price: £24.99; TaxCalc Lite free download

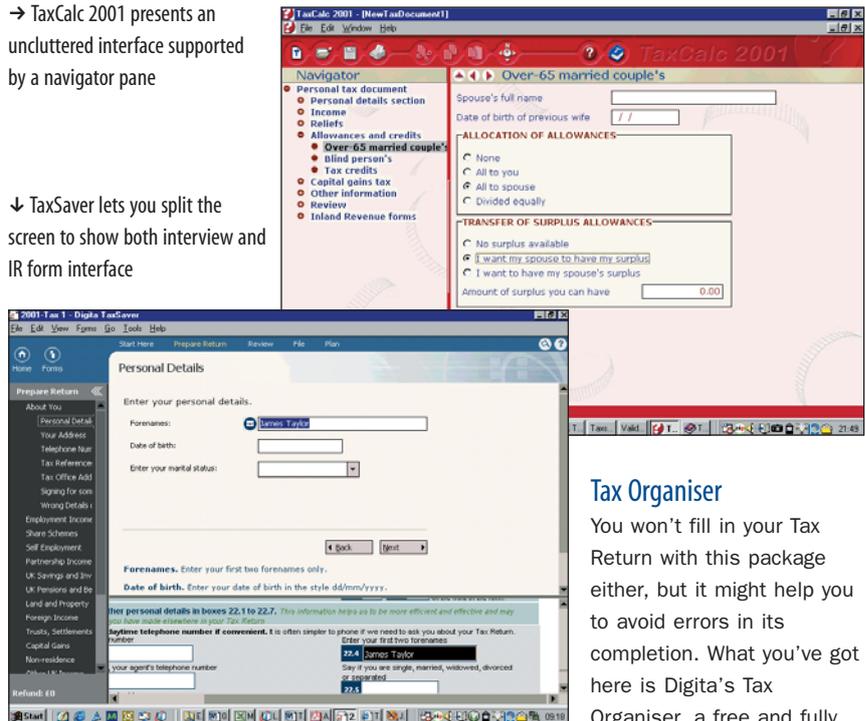
TaxSaver 2001 Deluxe and TaxCentral

Digitas's principle offering is TaxSaver 2001 Deluxe. It prepares your tax return and calculates your tax bill as well. When TaxSaver has checked your entries, (which it does using the Inland Revenue's own validation rules) and you have made any necessary corrections, it completes your tax return and calculates exactly how much tax you should be paying (or any refund for which you might be eligible). You can then either print out your tax return or use the FBI (file by internet) facility.

You can answer an onscreen interview questionnaire or fill in the boxes in a set of facsimile forms. You can also use a split screen with both questionnaire and IR forms visible at once. The Help facility

→ TaxCalc 2001 presents an uncluttered interface supported by a navigator pane

↓ TaxSaver lets you split the screen to show both interview and IR form interface



Tax Organiser

You won't fill in your Tax Return with this package either, but it might help you to avoid errors in its completion. What you've got here is Digita's Tax Organiser, a free and fully functioning PIM (personal

information manager) with the look and feel of Lotus Organiser, itself modelled on the familiar Filofax.

It comes with a number of tax-related supplements, including all the important dates for self assessment, lists of Inland Revenue departments, a Pocket Tax Guide and details of income tax rates, relief and allowances, car fuel benefit and pension rates. There's also a Pocket Budget Guide that includes a summary of budget changes, advice for those on low incomes and a tax return checklist.

Other supplements cover a diverse range of areas such as computing, food and drink, health and first aid, historical events, hotels and restaurants, religious festivals, science and sport. You also get the usual other sections – calendar, diary, task list and so on. Digita Organiser is not as comprehensive as the Lotus product, of course, but it will keep all your addresses and let you sort them individually by contact name or company. Tax Organiser can only be obtained as a download from Digita's website.

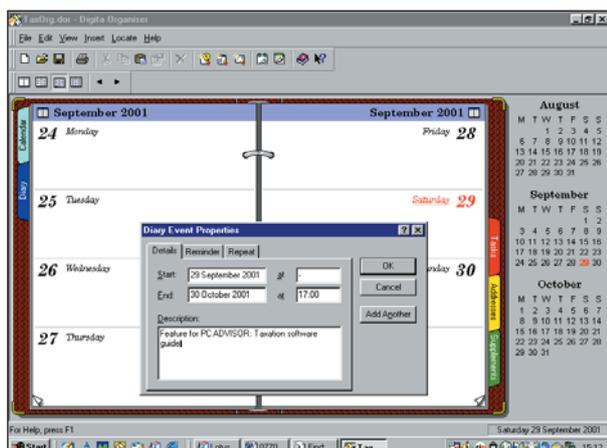
Digitas: www.digita.com/content/products/organiser/organiser.asp; price: free ■

includes the official Inland Revenue help sheets, a user guide and a calendar of key self-assessment dates. There's more help on the Digita website, including tax calculators for checking your payslip, working families tax credit, disabled persons tax credit, bank/building society interest tax, dividends, children's tax credit, personal pension relief, retirement annuity relief calculator and more.

TaxCentral is Digita's online-only self-assessment service. It's not as comprehensive as its sibling, being capable of generating only the main tax return form (SA100), the employment form (SA101) and the self-employment form (SA103). Nevertheless, it will let you complete your tax return online, validate

your information, calculate your tax liability and view or print out your tax return forms.

Digitas: 01395 270 273; www.digita.com; price: TaxSaver 2001 Deluxe £32.98; TaxCentral free download



← The Filofax system makes Digita's Tax Organiser easy to use



Turn to page 264 for a step-by-step tutorial on completing a tax return form