Working sheet for tax credit relief for Gift Aid donations, pension contributions and trading losses

Please use this working sheet to help you work out your income for tax credits purposes.

Please make sure that:

- you send us a **copy** of the working sheet
- you keep the working sheet or a record of your calculations, in case we have any questions.

Who should fill this in?

The person who has made the Gift Aid donations, pension contributions or trading loss. If you are part of a joint claim and both of you made any of these payments or a trading loss, then this working sheet should be completed by the first named person on your tax credits claim.

You may already have deducted any personal pension contributions you paid direct (for example, FSAVCs or stakeholder pension contributions) from your employment earnings, if you used the 'Earnings as an employee' working sheet in the Notes sent with your tax credits claim form or Renewals Pack. If you have, **do not** use this working sheet unless you (or in a joint claim, your partner) have made other personal pension contributions, Gift Aid donations or a trading loss.

'Your partner' on this working sheet refers to the person with whom you have made your tax credits claim, and does **not** refer to your business partner.

If you have made a joint claim, please remember:

- to enter your partner's name below
- that your total income includes **both** your and your partner's income.

Your income for the tax year *(enter the tax year this working sheet applies to)*

6 / April /	to	5 / April /

Your details *(see 'Who should fill this in?' above)*

Name

National Insurance number

Your partner's details *(for joint claims only)*

Name

National Insurance number

Working sheet to calculate relief and losses

Gift Aid, personal pension/retirement annuity contributions and trading losses

Step 1 – Total your income	**You**	**Your partner**	**Total**	
Taxable social security benefits	£	£	£	
Earnings as an employee	£	£	£	
Benefits from your employer – *see Note 1, page 3*	£	£	£	
Income from self-employment *where there is a loss for that person, enter '0' in their box*	£	£	£	
Total other income (combined) – *see Notes 2 and 3, page 3*			£	
Total income			£	
Step 2 – Deduct the following				
Gross Gift Aid donations	£	£	£	A
Gross personal pension or retirement annuity contributions	£	£	£	B
Balance of income			£	
Step 3				
Deduct your **trading loss** *this is the loss that arose in the year forming the basis of your tax credits claim*	£	£	£	C
Balance of income (if minus, balance of trading loss to be carried forward against future profits of same trade)			£	

The notes on pages 3 and 4 should help you claim the trading losses and other reliefs due. Where we refer to your partner we mean the person with whom you have made your tax credit claim, not your business partner.

Make sure that you keep this working sheet in a safe place. You may need to refer to the figures given at a later date.

Notes to help you

Step 1

First, work out your income using the working sheets included in the Notes sent with your tax credits claim form or Renewal Pack. Enter the amount of your income (and your partner's) in the relevant boxes.

Note 1 – Benefits from your employer

For information on what to include refer to:

- Part 5.4 of the TC600 Notes, or
- Part 2.3 of the TC603RD Notes, or
- the 'Company car and fuel, taxable vouchers, and payments in kind from all jobs' section of the TC603R Notes.

Briefly, your employer usually tells you the taxable values on a form P9D or P11D and, for tax credit purposes, the benefits may include:

- any goods or assets that your employer gave you that you could sell for cash
- your personal liabilities (for example, your gas or electricity bill) which were paid by your employer
- vouchers and credit tokens, except those used to meet the costs of registered childcare
- car mileage allowances or payments from your employer towards the running costs of your car
- company cars and car fuel
- taxable expenses payments.

Note 2 – Other income includes

- Income from savings and investments
- State pensions and other UK pensions
- Property income
- Trust income
- Foreign income
- Notional income.

Enter the total amount of your other income that exceeds £300 (if you are a couple who are still living together, the £300 limit applies to your **joint** other income) **plus** any Adult Dependant's Grant or miscellaneous income received.

Note 3 – Property income

Letting property does not constitute a trade, so should **not** be included in any income from self-employment.

Rental property

If you have a rental property that made a loss, relief for tax credit purposes is generally given in the same way as for Income Tax. If you made a loss, include '0' in respect of this income in your calculation of 'other income' for the year.

Furnished holiday lettings

If your property income includes income from furnished holiday lettings, the rules allow losses from this source to be treated in the same way as trading losses. This means that you can set them against your other income (or if you are making a joint claim, your partner's other income) in the year the loss arises.

If your property income is from both furnished holiday lettings and other forms of property income, only the loss arising on the furnished holiday lettings should be treated this way.

Other losses on property income

Normally, the loss should be carried forward and set off against profits from the same source in the following tax year. If, however, part of the loss arises from capital allowances or from agricultural land, that part of the loss may be set against other income which you (but not your spouse or partner) may have, either in the tax year in which the loss was made or in the following tax year.

In such cases, the amount of loss relief available for tax credit purposes is based on your tax calculations. Please see the following example.

> **Example** – James and Sarah are married. Sarah stays at home to look after the children. James has income from self-employment in 2008–09 of £50,000. He also lets several properties. The income and expenses of all the lettings are included in a single rental business.
>
> During 2008–09, James incurred allowable expenditure on his lettings business which resulted in a loss of £15,000. This loss would usually be carried forward and set against subsequent profits of the lettings business. However, James has some net capital allowances due on his rental business, so part of the loss may be set against his general income of that tax year.
>
> For *Income Tax purposes*, the following items were included in arriving at the loss:
>
> - capital allowances of £10,000
> - balancing charge adjustment of £8,000
>
> leaving net capital allowances of £2,000.
>
> For *tax credits purposes*, James can claim tax credits loss relief for 2008–09 of £2,000.
>
> When completing his form TC603D *Annual Declaration*, giving his income for the tax year 2008–09, James may set £2,000 of his rental property loss against his self-employed income of £50,000. The balance of the loss (£13,000) is to be carried forward and set against his future profits from his lettings business (but not against his future general income).

Step 2

Deduct the **gross** amount of any:

- qualifying Gift Aid donations
- personal pension or retirement annuity contributions.

For example, if you made a Gift Aid donation in 2008–09 of £100, your gross donation will be £125 (£100 multiplied by 100, then divided by 80). Enter the total amount on the working sheet.

Step 3

Deduct the trading loss (of the year forming the basis of claim) from the 'Total income'. A trading loss only arises where a trade is carried out on a commercial basis, with a view to making a profit.

The tax credits rules on trading losses operate separately from those for Income Tax. This means that for tax credits purposes you deduct the trading loss from:

- any other income you may have for that year
- in a joint claim, any other income which you and the other claimant (your spouse or partner) may have for that year.

Put simply, calculate the total of your reliefs and losses.

Add your gross Gift Aid donations	£	A
Plus gross personal pension or retirement annuity contributions	£	B
Plus your trading loss	£	C
Equals Total loss and reliefs	£	D

If D is less than your total income, deduct this amount from the boxes in the order in which they appear on your tax credits claim form or Declaration form, whichever applies. Please see the example at the bottom of the page.

If D is equal to or **more than** your **total** income, enter '0' in every box in:

- Part 5 of your form tax credits claim form, or
- Part 2 of your form TC603D *Annual Declaration*, or
- Part 1 and/or Part 2 of your form TC603D2 *Tax credits Declaration*, or
- the 'Your total income' working sheet in the TC603R Notes.

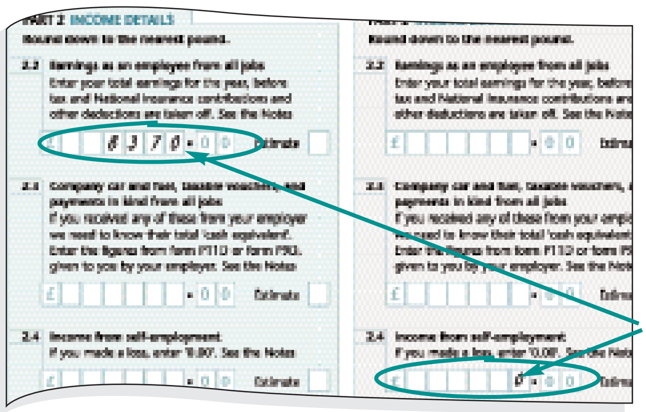
The balance of the trading loss (the unused part) should be carried forward to set against future profits of the same trade. For future reference, you should record the balance in the last box of the working sheet.

Losses brought forward

If this does not use up the entire loss, the balance (that is, the unused part of the loss after deducting the amounts set against other income in the year the loss arises) may be carried forward to be set against the profits of the same business in a future tax year.

For example, if you had a loss in 2007–08 (the 'previous year' for the purposes of tax credit claims in 2008–09) and there is some loss remaining after the deduction from other income from 2007–08, the unused part of the 2007–08 loss may be brought forward and deducted from the profits of the same business in the tax year 2008–09.

Example – Helen is employed by ABC Holdings. Her P60 shows that she earned £18,870.35 (before tax and other deductions) in 2008–09. She handles all the paperwork at home, so when she filled in the tax credits form she gave her details for 'You' and her husband Derek's details for 'Your partner'. Derek is self-employed and made a loss of £10,500.00 in 2008–09.



They have no other reliefs to claim. Their total *joint* income is £18,870.

£	0	A
£	0	B
£	10500	C
£	10500	D

Box D is **less than** their **total** income.

Helen needs to deduct £10,500 from the amount that should go in the box(es) on her Declaration form.

She enters £8,370 in box 2.2 for 'You' (£18,870 – £10,500 = £8,370) and £'0' in box 2.4 for 'Your partner'.

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