

Overlap

This Help Sheet contains two Working Sheets:

- Working Sheet 1 will help you calculate the foreign tax credit relief that must be recovered if you are now claiming overlap relief
- Working Sheet 2 enables you to work out your foreign tax credit relief position if you have overlap profits.

Working Sheet 1 - Overlap relief and foreign tax credit relief

Fill in the Working Sheet on page 2, using the following instructions if you are claiming overlap relief as a deduction from business profits, and you received foreign tax credit relief in earlier years against tax due on the overlap profits contributing to the amount deducted this year.

- 1 Enter the figure of overlap profits brought forward from last year.
- 2 Enter the amount of additional foreign tax credit relief allowed in the years when the overlap profits arose (that is, when the basis periods overlapped) and which has not been recovered subsequently.
- 3 Enter the figure of overlap relief deducted in arriving at your taxable profits for 2007-08 (from box 67 of your *Self-employment (full)* pages or box 12 of your *Partnership* pages).
- 4 Enter the proportion of the figure in box 2 that relates to the amount of overlap relief claimed this year.
- 5 Enter the foreign tax paid in the 2007-08 basis period for income from the same source as the overlap profits.
- 6 Enter the amount of foreign tax credit relief that would be allowable in 2007-08 for the amount of foreign tax shown in box 5, if it were to be assumed that no overlap relief was deductible from 2007-08 profits. For this purpose only you will need to add back the figure of overlap relief deducted (at box 67 of your *Self-employment (full)* pages), to arrive at taxable profits before overlap relief, and then complete a Foreign Tax Credit Relief Working Sheet (Help Sheet 263) to calculate the figure (from box TC94 in the FTCRWS) to be entered in box 6 in Working Sheet 1.
- 7 If the amount at box 6 is greater than that at box 4, enter the difference in box 7
to
9 the rest of the page as indicated.

If the amount in box 4 exceeds that in box 6, enter the amount of the excess in box 8 and in box 9. No foreign tax credit relief is due this year for income from the same source as the overlap profits. Instead, the excess of box 4 over box 6 will be recovered by way of a tax charge.

If you are calculating your tax copy the figure in box 8 to box 13 in your *Tax Calculation Summary* pages.

Example 1

You commenced business on 1 January 2007 and you make up your accounts for the six months from 1 January 2007 to 30 June 2007 and for the twelve months from 1 July 2007 to 30 June 2008.

Your basis periods are as follows:

2006-07 1 January 2007 to 5 April 2007

2007-08 1 January 2007 to 31 December 2007

and your overlap period is 1 January 2007 to 5 April 2007 - see Example 2.

Enter the information, profits etc. shown in your accounts for the period 1 January 2007 to 30 June 2007 in boxes 3 to 7, and enter half of the profits etc. shown in your accounts for the period 1 July 2007 to 30 June 2008 in boxes 8 to 12 (that is, representing the profits etc. of the six months 1 July 2007 to 31 December 2007).

Working Sheet 1 - Overlap relief and foreign tax credit relief

Overlap profits brought forward **1**

Additional foreign tax credit relief previously allowed **2**

Overlap relief claimed in 2007-08 **3**

Corresponding foreign tax relief (box 3 divided by box 1 then multiplied by box 2) **4**

Foreign tax paid in the 2007-08 basis period from the same source as the overlap profits **5**

Foreign tax credit relief allowance in 2007-08 if no overlap relief deducted from 2007-08 profits (from box TC94 of the foreign tax credit relief Working Sheet) **6**

box 6 minus box 4 **7** or box 4 minus box 6 **8**

If the figure in box 6 is greater than the figure in box 4, the figure in box 7 is available for foreign tax credit relief in 2007-08. Transfer this figure to column C on page F6 of the *Foreign* pages.

If the figure in box 4 is greater than the figure in box 6, no foreign tax credit relief is due for 2007-08 for income from this source. Enter '0' in column C on page F6 of the *Foreign* pages. Copy the figure in box 8 to box 9.

Foreign tax credit relief to be recovered **9**

Copy this figure to box 13 of your *Tax Calculation Summary* pages

Working Sheet 2

You only need to complete this if your basis period for 2007-08 overlaps with that for 2006-07 and you are claiming foreign tax credit relief for 2007-08. Fill in a separate Working Sheet for each business in which you have an overlap.

- and*
- to*
- to*
-
- and*
- and*
- and*

Example 2

So, continuing Example 1, if the overlap period is 1 January 2007 to 5 April 2007 (three months), '6' would need to be entered in each of these three boxes, because this is the length in months of the period of account into which the three month overlap period falls.

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- 32 Multiply the figure in box 31 by the fraction formed by the figure in box 29 divided by the figure in box 30 and enter the result in box 32.
- 35 Enter the amount of foreign tax paid (from boxes 7, 12 and 17) on the foreign source profits shown in box 31.
- 36 Multiply the figure in box 35 by the fraction formed by the figure in box 33 divided by the figure in box 34 and enter the result here.
- 39 Enter the amount of foreign tax credit relief allowed in 2006-07 on the foreign source overlap profits shown in box 32.

Copy the figure in box 20 to column F (in the line giving other details for the business) on page F6 of the *Foreign* pages.
Copy the figure in box 40 to column C (in the same line) of the *Foreign* pages.

These notes are for guidance only, and reflect the position at the time of writing. They do not affect any rights of appeal.

Months

2

4

9

14

Total of boxes
4 + 9 + 14

18

24

=

5 Profits

6 Foreign source profits

7 Foreign tax paid

10

11

12

15

16

17

Total of column above

19

Total of column above

20

Total of column above

21

=

32

=

36

Adding foreign tax paid on whole of taxable profits for 2007-08
(including overlap profits)

37
from box 21

38
box 36 + box 37

Deduct the amount of foreign tax credit relief allowed in 2006-07
for the overlap profits

39

Amount of foreign tax available for relief in 2007-08 on overlap profits

40
box 38 minus box 39