

How to calculate your Tax

Also see the Tax Return Guide



This Guide has step by step instructions and a Working Sheet to help you calculate your tax.

There are different guides for different circumstances. Read page 2 to make sure you have the right one for you.

Keep your Guide in case you want to check any calculations I send you.

Calculating your tax is optional. Ignore this Guide if you want the Inland Revenue to calculate your tax. Remember to send your Tax Return back by 30 September.

Calculating your tax bill

How to use this Guide

The Working Sheet in the middle of this Guide will help you calculate your tax bill. The notes below will help. You will need to use a different Tax Calculation Guide if you had:

- chargeable gains (box 8.8 in the Capital Gains Pages)
- certain lump sums and compensation payments (box 1.29 or, if you are a Minister of Religion, box 1M.45)
- certain gains on UK and foreign life insurance policies (boxes 6.8, 12.5 and 12.8)
- income from the estate of a deceased person, with a notional basic rate (24%) tax credit (box 7.18)
- a refund of surplus additional voluntary contributions from your pension scheme provider (box 12.12).

Ask the Orderline for the right Guide for you.

The box numbers in the Working Sheet in this Guide start with a 'W'. Fill in all that apply. You will need to copy some figures from your Tax Return. Follow the instructions.

If you are a Minister of Religion or a Lloyd's Underwriter read the relevant note below under the headings 'Ministers of Religion' or 'Lloyd's Underwriters'.

Key steps in calculating your tax

- Work out your total taxable income for 1996-97.
- Deduct reliefs from that income.
- Calculate the Income Tax due - taking account of allowances and reliefs given in terms of tax.
- Add other amounts due (for example, Class 4 National Insurance Contributions and any tax due from earlier years).
- Deduct any 1996-97 tax already paid or accounted for.
- Work out what you owe taking account of any payments on account for 1996-97 and adjustments for earlier years.
- Work out if you need to make payments on account for 1997-98.
- Work out what you need to pay.

Working out your total taxable income for 1996-97

boxes W1 to W11

If you had more than one employment, self-employment or partnership interest in 1996-97, you must:

- add together the income from each and put the totals in boxes W1, W3 and W4, as appropriate
- add together the tax paid on each and put the total in boxes W53.1, W53.2 and W53.3, as appropriate.

References to the 'right-hand' columns are:

- for trusts, settlements and estates, boxes 7.3, 7.6, 7.9, 7.12 and 7.15 of the Trust etc Pages
- for UK savings, boxes 10.1, 10.4, 10.7, 10.8, 10.11, 10.14, 10.17, 10.20, 10.23, 10.26, 10.29 and 10.32 of your Tax Return
- for pensions, retirement annuities and State benefits, boxes 11.1 to 11.7, 11.9 and 11.12 of your Tax Return.

Ministers of Religion

If you are a Minister of Religion, include your taxable income from each ministry (box 1M.51), with any employment income in box W1 and any tax deducted (1M.50) in box W53.1.

Lloyd's Underwriters

If you are a Lloyd's Underwriter and you have any amount in box 3L.39 of the Lloyd's Underwriters Pages you need to use a different Tax Calculation Guide. Ask the Orderline for the Tax Calculation Guide (Lump Sums etc) if you did not have any chargeable gains (box 8.8 in the Capital Gains Pages), or the Tax Calculation Guide (including Capital Gains and Lump Sums) if you did.

Otherwise take figures from your Lloyd's Underwriters Pages and include them in the Tax Calculation Working Sheet as follows:

- the total of boxes 3L.12, 3L.24 and 3L.53 in box W53.2
- box 3L.85 in box W18, if you made a loss and want to set it against other 1996-97 income
- box 3L.91 in box W3, if you made a profit
- box 3L.94 in box W49.

Deducting reliefs from your income

boxes W13 to W19

Payments you make are relieved in different ways:

- some payments are given as an expense or relief against a particular type of income (for example, some professional subscriptions are allowed as an expense of your employment income). You will have claimed these when you filled in the relevant pages of your Tax Return
- some payments are relieved against your total income for the year. These are covered in boxes W13 to W19 and W23
- relief for some payments is given in terms of tax. This is done in boxes W40 to W46.

See the instructions on the Working Sheet and the notes below.

■ Vocational training

box W14

Your training provider will give you basic rate relief for your fees by asking you to pay only the net amount after your tax relief. Including your fees in your tax calculation ensures that you get any higher rate relief due.

Enter in box W14 the gross amount of the payment. This is the net amount paid to your training provider (from box 15.1 of your Tax Return) plus the tax relief given at source. To work out the figure to go in box W14, multiply the figure in box 15.1 by $100/76$.

■ Maintenance or alimony paid

boxes W16 and W42.6

What you put in these boxes depends on whether the payments you make are under the 'Old rules', the 'New rules', or both. You will have decided which apply when you filled in boxes 15.4 to 15.6 of your Tax Return (see page 21 in your Tax Return Guide).

If your payments are under the New rules, relief is given in terms of tax. Ignore box W16. Enter the figure from box 15.4 in box W42.6.

If your payments are under the Old rules, relief is given as a deduction from your income and in terms of tax, depending on your circumstances. Enter the figure from box 15.6 in box W16 and the figure from box 15.5 in box W42.6.

If you make payments under both the Old and the New rules, relief is given in terms of tax. Fill in box W42.6 only. Enter the figure from box 15.4 or box 15.5. If there is a figure in each of these boxes, add them together before entering the result in box W42.6.

■ Charitable covenants, annuities and Gift Aid payments

boxes W17 and W48

These payments are treated as being made after deduction of basic rate tax. The charity will reclaim that tax from the Inland Revenue.

To make sure the payments are accounted for, and to give you higher rate relief if appropriate, you need to:

- gross-up the payments you make (in box W17) and deduct them from your total income, **and**
- account for the tax treated as deducted (in box W48).

Use the Working Sheet on page 3 to work out the figures.

Calculating your tax bill - continued

Working Sheet

A £ **B** £ **C** £

Put the total amount of charitable covenants and Gift Aid payments you made in box A (box 15.9 plus box 15.10).

Enter in box B, $\frac{24}{76}$ of the figure in box A. This is the basic rate tax treated as deducted.

Enter in box C, the total of figures in boxes A and B. This is the gross amount of your payments.

Copy the figure in box C to box W17 in the Working Sheet. Copy the tax in box B to box W48.

box W22 Copy your income minus deductions from box W21 to box W22.

Calculating tax due for 1996-97 after allowances and reliefs

How your income is taxed

You pay Income Tax at 20% on the first £3,900 of your income. This is known as the lower rate band.

You pay Income Tax at 24% on the next £21,600 of your income apart from savings income. This is known as the basic rate band. You pay tax at 20% on savings income within the first £25,500 of your income.

You pay Income Tax at 40% on your income over £25,500. This is the higher rate band.

How the tax calculation works it out

The tax calculation produces the correct answer like this:

boxes W22 to W27 Income Tax is calculated on all your income at 20% (box W27), after giving certain allowances and deductions you have claimed. On some deductions you may have already received tax relief at 24% by paying only the net amount. These are added back at box W23 to ensure you do not get tax relief twice.

boxes W28 to W32 If your income is more than £3,900, Income Tax is calculated at an additional 4% on the income over £3,900 **apart** from savings income. This adds up to 24% tax (20% + 4%) on your income in the basic rate band.

boxes W33 to W36 Then an additional 16% tax is calculated on the income in the higher rate band (over £25,500). So:

- the income falling in the higher rate band other than savings income has now been taxed at 40% altogether (20% + 4% + 16%)
- savings income in the higher rate band has been taxed at 36% altogether (20% + 16%).

boxes W37 and W38 Then an additional 4% is calculated on savings income over £25,500. This ensures that this income is taxed at 40% (36% + 4%).

Reliefs

box W23 You will already have received tax relief at 24% by paying only the net amount if you are claiming relief for:

- employee contributions to personal pension plans (you will have put a figure in box 14.15 of your Tax Return)
- free-standing additional voluntary contributions (box 14.17 in your Tax Return)
- payments for vocational training (Working Sheet, box W14).

Adding the payments back in box W23 ensures that you do not get tax relief at the basic rate twice. Putting the payments in box W33 ensures that you get relief at the higher rate, if appropriate.

Allowances deducted from income

Some allowances may be deducted from your income (box W25) and others given as a relief in terms of tax (box W42).

box W25 Fill in boxes W25.1 to W25.6 on page 6 using the following instructions. **Only fill in boxes W25.2 to W25.5 for allowances you have claimed on page 6 of your Tax Return.**

box W25.1 £3,765 is the amount of the personal allowance. Enter it in box W25.1 unless you are not resident and not claiming allowances.

box W25.2 The figure you enter here depends on your age and your income.

- If you were born after 5 April 1932 and you were not a married man whose wife was born before 6 April 1932

Enter '0' in box W25.2 and go to the next box.

- If you were born before 5 April 1932 or you were a married man whose wife was born before 6 April 1932.

Work out any higher amount of age-related personal allowance to put in box W25.2. (You get the personal allowance that everyone gets in box W25.1). If you are a married man, work out the amount of age-related married couple's allowance to put in box W42.1.

First use Table 1 below to decide the maximum personal allowance and married couple's allowance (where appropriate) you are entitled to. This depends on when you were born.

Then look at the level of your income. Your income for this purpose is the total of boxes W21 and W19.

- If your income is £15,200 or less read Section 1 below. Ignore Section 2.
- If your income is more than £15,200 read Section 2 on page 4.

Table 1
Personal allowance for everyone

Date of birth	Maximum personal allowance
Between 6 April 1922 and 5 April 1932	£4,910
Before 6 April 1922	£5,090

Married couple's allowance for married men

Date of birth of older of husband or wife	Maximum married couple's allowance
Between 6 April 1922 and 5 April 1932	£3,115
Before 6 April 1922	£3,155

Section 1: if your income is £15,200 or less

Enter in box W25.2 the maximum personal allowance you are entitled to minus £3,765. If you are a married man enter in box W42.1 the maximum married couple's allowance you are entitled to **unless**:

- any of the allowance has been allocated to your wife, or
- you got married in the year ended 5 April 1997.

If so, look at the sections 'Who gets married couple's allowance - you or your spouse?' and 'Special rules if you are a man who married in the year ended 5 April 1997' on page 24 of your Tax Return Guide. They tell you how married couple's allowance is restricted. Enter the restricted amount in box W42.1.

Calculating your tax bill - continued

Section 2: if your income is more than £15,200

Look at Table 2 below. Decide which 'income level' fits your personal circumstances. Then follow the appropriate instructions following Table 2, depending on whether your income is more or less than the income level for you in the table.

Table 2
Levels of income above which no age-related allowances are due

Circumstances	Date of birth	Income level
Single person or married woman	6 April 1922 to 5 April 1932	£17,490
	Before 6 April 1922	£17,850
Married man entitled to married couple's allowance	Husband after 5 April 1932 Wife 6 April 1922 to 5 April 1932	£17,850
	Husband after 5 April 1932 Wife before 6 April 1922	£17,930
	Husband 6 April 1922 to 5 April 1932	£20,140
	Wife after 5 April 1922 Husband 6 April 1922 to 5 April 1932	£20,220
	Wife before 6 April 1922 Husband before 6 April 1922	£20,580
	Wife any age	£20,580

If your income is the same as or more than your income level in Table 2, you are entitled to the same level of personal allowance and married couple's allowance (if appropriate) as those born after 5 April 1932. Enter '0' in box W25.2.

If you are a married man entitled to married couple's allowance, enter £1,790 in box W42.1 **unless**:

- any of the allowance has been allocated to your wife, or
- you got married in the year ended 5 April 1997.

If so, look at the sections 'Who gets married couple's allowance - you or your spouse?' and 'Special rules if you are a man who married in the year ended 5 April 1997' on page 24 of your Tax Return Guide. They tell you how the £1,790 is restricted. Enter the restricted amount in box W42.1.

If your income is less than your income level in Table 2 (but more than £15,200), use boxes A to H below, as appropriate, to work out what figures to put in boxes W25.2 or W42.1.

Your income (box W21 plus box W19)	A	£
Enter box A figure <i>minus</i> £15,200	B	£
Multiply box B $\times \frac{1}{2}$	C	£
Enter the maximum personal allowance you are entitled to from Table 1	D	£
Enter D <i>minus</i> C	E	£

If E is £3,765 or more, enter in box W25.2 the figure in box E *minus* £3,765. If you are a married man, enter the maximum married couple's allowance you are entitled to (from Table 1) in box W42.1 **unless**:

- any of the allowance has been allocated to your wife, or
- you got married in the year ended 5 April 1997.

If so, look at the sections 'Who gets married couple's allowance - you or your spouse?' and 'Special rules if you are a man who married in the year ended 5 April 1997' on page 24 of your Tax Return Guide. They tell you how your married couple's allowance is restricted. Enter the restricted amount in box W42.1.

If box E is less than £3,765, enter '0' in box W25.2. If you are a married man entitled to married couple's allowance, fill in boxes F to H.

Enter £3,765 minus the figure in box E	F	£
Enter the maximum married couple's allowance you are entitled to (from Table 1)	G	£
Enter box G <i>minus</i> box F	H	£

Enter the figure from box H in box W42.1 **unless**:

- any of the allowance has been allocated to your wife, or
- you got married in the year ended 5 April 1997.

If so, look at the sections 'Who gets married couple's allowance - you or your spouse?' and 'Special rules if you are a man who married in the year ended 5 April 1997' on page 24 of your Tax Return Guide. They tell you how your married couple's allowance is restricted. Enter the restricted amount in box W42.1.

box W25.3

If you have completed box 16.2 in your Tax Return, enter £1,250 in box W25.3.

box W25.4

Copy the figure from box 16.4 in your Tax Return.

box W25.5

Copy the figure from box 16.27 in your Tax Return.

box W25.6

Add figures in boxes W25.1 to W25.5 and enter the result in box W25.6. Copy it to box W25.

■ Savings income taxable at the lower rate

boxes W28 and W29

Savings income is taxable only at the lower and higher rates. Any tax due at the lower rate has been included in box W27. Deducting your savings income using boxes W28 and W29 ensures that:

- it is not taxed at the basic rate, and
- any deductions are taken off your other income before savings. This will usually be beneficial. It may be better to do it a different way if you are entitled to tax credit relief. If this applies to you, ask your Tax Office or tax adviser for advice.

■ Allowances and reliefs given in terms of tax

box W42.1

- If you are a married man

If you filled in boxes 16.5 to 16.10 in your Tax Return, as appropriate, read the following notes to decide the amount of married couple's allowance to enter in box W42.1.

If you or your wife were born before 6 April 1932, the notes for box W25.2 on page 3 tell you what to put in box W42.1.

If neither you nor your wife were born before 6 April 1932, the full amount of married couple's allowance is £1,790. Read the notes on page 24 of your Tax Return Guide to see if the allowance needs to be reduced, **either**:

- because you married during the year (see note 'Special rules if you are a man who married in the year ended 5 April 1997'), or
- because all or part of the allowance has been allocated to your wife (see note 'Who gets married couple's allowance - you or your spouse?').

Enter the amount you are entitled to in box W42.1.

Tax calculation Working Sheet

Total income from: (copy figures from your Tax Return)

● Employment including benefits and minus expenses for each employment			
Add income in boxes 1.8 to 1.10, 1.12 to 1.23, 1.27 and 1.28	First employment	Other employments	
	£ <input type="text"/>	£ <input type="text"/>	
Deduct any figures in boxes 1.31 to 1.38	£ <input type="text"/>	£ <input type="text"/>	
Total taxable income	£ <input type="text"/>	+ £ <input type="text"/>	= W1 £ <input type="text"/>

● Share schemes (from box 2.31)	W2 £ <input type="text"/>
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● Self-employment (from box 3.89)	W3 £ <input type="text"/>
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● Partnerships (from boxes 4.32, 4.65 and 4.68)	W4 £ <input type="text"/>
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● UK land and property (from box 5.43)	W5 £ <input type="text"/>
---	----------------------------------

● Foreign income (from boxes 6.2, 6.4 and 6.5)	W6 £ <input type="text"/>
---	----------------------------------

● Trusts, settlements or estates of deceased persons (add together any figures in the 'right hand' column of the Trusts etc Pages and deduct any figure in box 7.19)	W7 £ <input type="text"/>
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● UK savings and investments (total any figures in the 'right hand' column on page 3 of your Tax Return)	W8 £ <input type="text"/>
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● UK pensions, retirement annuities and benefits (add together any figures in the 'right hand' column of Question 11 on page 4 of your Tax Return and deduct any exemption in box 11.13)	W9 £ <input type="text"/>
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● Maintenance and alimony received (from box 12.3)	W10 £ <input type="text"/>
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● Other income (copy the figure in box 13.3 minus any figure in box 13.5)	W11 £ <input type="text"/>
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Total	Total column above W12 £ <input type="text"/>
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Deductions for

● Personal pension (add together any figures in boxes 14.5, 14.10, 14.15, 14.16 and 14.17)	W13 £ <input type="text"/>
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● Vocational training (multiply any figure in box 15.1 by $\frac{100}{76}$)	W14 £ <input type="text"/>
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● Interest on qualifying loans (from box 15.3)	W15 £ <input type="text"/>
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● Maintenance or alimony paid (see the notes on page 2 of this Guide)	W16 £ <input type="text"/>
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● Charitable covenants, annuities and Gift Aid payments (multiply any figures in boxes 15.9 and 15.10 by $\frac{100}{76}$)	W17 £ <input type="text"/>
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● Losses and post-cessation expenses (from boxes 3.82, 4.12, 4.58, 5.16, 5.44, 8.16 and 15.11)	W18 £ <input type="text"/>
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● Trade union and friendly society death benefit payments (from box 15.12)	W19 £ <input type="text"/>
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Total	Total boxes W13 to W19 W20 £ <input type="text"/>
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box W12 minus box W20 W21 £ <input type="text"/>

Total income minus deductions

now copy the figure in box W21 to box W22 on page 7

Reliefs

- you get basic rate relief automatically - further relief will be due if you are liable to higher rate tax.

- **Pension payments** (from boxes 14.15 and 14.17)
- **Vocational training** (from box W14)

Total

Fill in any boxes on this page that apply to you and copy to page 7. Then work through remaining boxes on pages 7 and 8

Copy to W23

Savings income taxable at the lower (20%) rate.

- **Partnership savings** (from boxes 4.32 and 4.65)
- **UK savings** (from box W8)
- **Foreign savings** (from box 6.2)
- **Trusts, settlements and estate income** (from boxes 7.6, 7.12 and 7.15)

Total

Allowances given as a deduction from your income
- you may need to check your entitlement - see notes, page 3.

- **Personal allowance** - normally £3,765 unless you are non-resident and not claiming allowances
- **Age-related personal allowance** - see notes page 3
- **Blind person's allowance** - enter £1,250
- **Transitional allowance** (from box 16.4)
- **Blind person's surplus allowance from your spouse** (from box 16.27)

Total

Copy to W25

Copy to W28

Allowances and reliefs given in terms of tax
- these reduce your tax bill - you may need to use the Question 16 notes on pages 23 to 26 of the Tax Return Guide and starting on page 3 of this Guide.

- **Married couple's allowance** - see notes, pages 4 and 9
- **Married couple's surplus allowance** (from box 16.28)
- **Additional personal allowance** - usually £1,790, may be split with another person - see the notes
- **Widow's bereavement allowance - £1,790** (if your husband died in 1995-96 or 1996-97 and you have not remarried)
- **Interest on loans** (from box 15.2)
- **Maintenance and alimony** (boxes 15.4 and 15.5 - see the notes for box W16)

Total

Copy to W42

Copy to W44

Notional tax is not repayable and so has to be calculated as an allowance given in terms of tax rather than being regarded as tax deducted at source.

- **Partnership notional tax** (from boxes 4.73 and 4.74)
- **Notional tax on UK scrip dividends and FIDs** (from boxes 10.22, 10.25, 10.28 and 10.31)
- **Notional tax on estate income** (from box 7.14)

Total

from box W21

box W22 + box W23

box W24 minus box W25

If the figure in box W26 is £3,900 or less, do not fill in boxes W28 to W38

If any of the sums on this page results in a negative amount, enter a zero in the appropriate box

box W26 x 20%

box W26 minus box W28

box W29 minus box W30

box W31 x 4%

If the figure in box W33 is £25,500 or less, do not fill in boxes W35 to W38

box W26 minus box W23 minus box 12.9

box W33 minus box W34

box W35 x 16%

lower of box W28 or box W35

box W37 x 4%

Income Tax due

boxes W27 + W32 + W36 + W38

• **Venture Capital Trust and Enterprise Investment Scheme subscriptions**

box 15.7 + box 15.8

box W40 x 20%

box W42 x 15%

• **Tax credit relief on foreign income**

from box 6.9

boxes W41 + W43 + W44 + W45

Income Tax due, after allowances and reliefs

If the figure in box W46 is more than the figure in box W39, enter a zero
box W39 minus box W46

• **Recoverable tax on charitable covenants, annuities and Gift Aid payments** (box W17 x 24%)

• **Class 4 National Insurance Contributions** (from box 3.92 or (box 4.22 minus box 4.75))

Income Tax and Class 4 National Insurance Contributions

boxes W47 + W48 + W49

Copy figure in box W50 to box W50 on page 8

Tax Calculation Working Sheet continued

Income Tax and Class 4 NIC due (from box W50 on page 7)

W50 £

- Unpaid tax for earlier years included in PAYE code for 1996-97

W51 £

box W50 + box W51

W52 £

Copy box W51 above to box 18.1 in your Tax Return

Tax paid at source

- Employment (from boxes 1.11 and 1.30)

W53.1 £

- Self-employment (from box 3.93)

W53.2 £

- Partnerships (from box 4.72)

W53.3 £

- UK land and property (from box 5.21)

W53.4 £

- Foreign income (from boxes 6.1 and 6.3)

W53.5 £

- Trusts, settlements or estate income (from boxes 7.2, 7.5, 7.8 and 7.11)

W53.6 £

- UK savings (from boxes 10.3, 10.6, 10.10, 10.13, 10.16 and 10.19)

W53.7 £

- UK Pensions and benefits (from boxes 11.8 and 11.11)

W53.8 £

- Other income (from box 13.2)

W53.9 £

Total W53.10 £

W53 £

box W53 + box W54

W55 £

- Tax due for 1996-97 included in next year's PAYE tax code

W54 £

Copy to box 18.2 in your Tax Return

Total tax and Class 4 NIC due for 1996-97 (overpayment in brackets)

box W52 minus box W55

W56 £

Copy box W56 to box 18.3 in your Tax Return

Tax owed or overpaid in 1996-97

- 1996-97 tax already refunded (from box 17.1)

W57A £

- Tax due for earlier years

W57 £

Copy box W57 to box 18.4 in your Tax Return

- Tax overpaid for earlier years

W59 £

Copy box W59 to box 18.5 in your Tax Return

- Payments already made (from your Statements of Account)

W60 £

box W56 + box W57A + box W57

W58 £

box W59 + box W60

W61 £

Tax you owe for 1996-97

box W58 minus box W61

W62 £

OR

Tax you have overpaid for 1996-97

box W61 minus box W58

W63 £

Payments on account for 1997-98

- Your share of partnership tax and Class 4 NIC (from boxes 4.74, 4.75)

W64A £

Copy W62 to W64B if it is less than £1,000 and you would like the amount you owe collected through your 1998-99 tax code. Otherwise enter zero

W64B £

If W65 is less than £500, you do not need to make payments on account. Leave 18.6 blank and tick 18.8 your Tax Return. If W65 is equal to or more than £500, carry on

box W56 + box W64A minus box W64B

W65 £

- Income Tax due, after allowances and reliefs

from box W47
W66 £

- Class 4 National Insurance Contributions

from box W49
W67 £

boxes W64A + W66 + W67

W68 £

box W68 x 20%

W69 £

If W65 is less than W69, you do not need to make payments on account. Leave box 18.6 blank and tick box 18.8. If it is equal to or more than W69, you do have to make payments on account. Fill in box W70.

box W65 x 50%

This is the amount of each payment on account for 1997-98

W70 £

Copy box W70 to box 18.6 in your Tax Return

SA151 (NET)

Calculating your tax bill - continued

- If you are a married woman

If you have filled in boxes 16.11 to 16.15 in your Tax Return, as appropriate, you will get:

- £895, if half of the married couple's allowance is allocated to you
- £1,790, if all of the married couple's allowance is allocated to you,

unless you married or your husband died during the 1996-97 tax year.

If you married during the 1996-97 tax year, the section 'Special rules if you are a man who married in the year ended 5 April 1997' on page 24 of your Tax Return Guide explains how the basic married couple's allowance of £1,790 may be restricted. If it is restricted, you are entitled to half, or all, of the restricted amount.

If your husband died during the 1996-97 tax year, you cannot have any married couple's allowance allocated to you. You can only have any unused surplus allowance - see box W42.2.

Enter the amount you are entitled to in box W42.1.

box W42.2 Copy the figure from box 16.28 in your Tax Return to box W42.2.

box W42.3 If you have completed boxes 16.16 to 16.23 in your Tax Return, as appropriate, enter in box W42.3 **£1,790** if you are claiming the full allowance. Enter a lower amount if you are claiming to share the allowance or the allowance is restricted during the year ended 5 April 1997. The sections 'Sharing a claim for additional personal allowance' and 'The effect of married couple's allowance on additional personal allowance' on page 25 of your Tax Return Guide explain how to calculate the lower amount.

box W42.4 If you have filled in box 16.24 on page 6 of your Tax Return, enter £1,790 in box W42.4.

box W42.5 Copy this figure from box 15.2 on page 5 of your Tax Return.

■ Income tax due after allowances and reliefs

box W47 Now subtract box W46 from box W39:

- if the result is **more** than zero, put it in box W47
- if the result is **zero** or **less** than zero, put '0' in box W47.

Box W47 is the Income Tax due for 1996-97 after allowances and reliefs.

Adding other amounts due

- Recoverable tax on charitable covenants, annuities and Gift Aid payments

box W48 If you filled in box 15.9 or 15.10 in your Tax Return, you will have had tax relief at the basic rate when you made the payments (because you paid them net of basic rate tax), and again when you deducted the payments in box W17. Deducting the payments means that you get any higher rate relief due. To ensure that you do not get two lots of basic rate tax relief, enter in box W48 the figure from box B in the Working Sheet on page 3 of this Guide.

- Class 4 National Insurance Contributions

box W49 If you filled in the Self-employment Pages, copy the figure from box 3.92 to box W49.

If you filled in the Partnership Pages, deduct any figure in box 4.75 from the figure in box 4.22 and enter the result in box W49.

If you had more than one business, make sure you have used *Help Sheet IR220: More than one business* to calculate your total Class 4 National Insurance Contribution.

The figure in box W49 is the Class 4 National Insurance Contribution you are due to pay.

Deducting tax already paid or accounted for

■ Unpaid tax for earlier years

box W51 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 1996-97 may have been adjusted to collect tax unpaid in years before 1996-97. If so, your P2 Notice of Coding for 1996-97 will show the amount of the tax that is being collected in this way. Put the figure in box W51. If you think your PAYE deductions for 1996-97 included tax for earlier years but you no longer have your P2 Notice of Coding for 1996-97, or if you are in any doubt about the correct amount for box W51, ask your Tax Office or tax adviser for help. **Copy this figure to box 18.1 in your Tax Return.**

■ Tax paid at source

box W53 This is where you account for tax you have already paid on your income for the year to 5 April 1997. You will get the figures you need from your Tax Return. Follow the instructions on the Working Sheet. Add up all figures in boxes W53.1 to W53.9. Enter the total in box W53.10 and copy it to box W53.

■ If you pay tax through PAYE

box W54 If your tax code for 1996-97 was reduced during 1996-97, 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 1997-98. The amount of the underpayment will have been notified to you on a P2 Notice of Coding (issued during 1996-97 for the code in 1996-97). You should copy to box W54 the 'estimated underpayment' figure shown on the bottom of the last P2 Notice of Coding you received for 1996-97.

If you are in any doubt about the correct amount to put in box W54, ask your Tax Office or tax adviser for help.

Copy the figure in box W54 to box 18.2 in your Tax Return.

■ Total tax and Class 4 NIC due for 1996-97

box W56 Subtract the figure in box W55 from the figure in box W52 and put the result in box W56. **Copy the figure in box W56 to box 18.3 in your Tax Return.** Your Tax Office will check that you have got it right. Put the figure in brackets if the result is negative.

Calculating your tax bill - continued

Tax due or overpaid in 1996-97

box W57A

Enter in box W57A the amount of any repayment of 1996-97 tax included in box 17.1 in your Tax Return

Do not include any repayments from trading losses carried back to an earlier year.

box W57

You may have paid too **little** tax in earlier years because:

- you claim farmer's averaging which has increased your income for last year, **or**
- you claim backwards spreading of literary or artistic income increasing your income for last year and possibly the year before as well, **or**
- you claim to carry back post-cessation receipts to the year your business ceased (increasing your income in that year).

You need to work out your underpayment of tax or Class 4 NIC by reference to the tax rates and circumstances for the earlier year. Recalculate the liability for that year (the equivalent of the figure in box W56), taking account of the adjustment. The difference between the recalculated figure and the original figure is the tax due. Enter it in box W57. **Copy this figure to box 18.4 in your Tax Return.** If you need help, ask your Tax Office or tax adviser.

box W59

You may have paid too **much** tax for an earlier year because:

- you claim that losses are set against income of an earlier year or years, **or**
- you claim exceptionally to carry back retirement annuity or personal pension payments to 1994-95 (contact your Tax Office if you claim to carry back your payments to 1995-96) - boxes 14.3, 14.8 or 14.13 in your Tax Return, **or**
- you claim farmer's averaging reducing your income for last year.

Do not include losses or pension payments for which you have previously claimed relief.

You need to work out how much tax or Class 4 NIC you overpaid by reference to the tax rates and circumstances for the earlier year. Recalculate the liability for that year (the equivalent of the figure in box W56) taking account of the adjustment. The difference between the recalculated figure and the original figure is the amount of the tax overpaid. Enter it in box W59. **Copy this figure to box 18.5 in your Tax Return.** If you need help, ask your Tax Office or tax adviser.

box W60

If you have made payments on account for 1996-97, the payments will be shown on the Statements of Account sent to you. Add up the payments you have already made against your 1996-97 liability and enter the total in box W60.

You **must not** include payments which have been set against:

- interest
- penalties
- surcharges
- liabilities arising from earlier years.

If you are in any doubt about how much to include, ask your Tax Office or tax adviser for help.

box W62

Enter the figure in box W58 minus the figure in box W61. Leave blank if the result would be negative.

box W63

Enter the figure in box W61 minus the figure in box W58. Leave blank if the result would be negative.

Working out your payments on account for 1997-98

box 18.6 in your Tax Return

Some people will have to make two payments on account for 1997-98, each equal to half of the Income Tax and Class 4 NIC liability for 1996-97. The first payment is due on 31 January 1998, and the second is due on 31 July 1998.

You will **not** have to make payments on account for 1997-98 if your tax bill for 1996-97 is below £500 or if most (80%) of your tax is collected at source.

Follow the instructions for boxes W64A to W70 on the Working Sheet. These will:

- help you decide whether you have to make payments on account
- help you work out the amount of these payments
- tell you what figure to copy to box 18.6 in your Tax Return.

Copy the figure from box W70 in your Working Sheet to box 18.6 in your Tax Return **unless you are claiming to reduce your payments on account** (see below).

box W64A

If you are a partner, include in box W64A your share of the tax and Class 4 NIC in any partnership assessment for 1996-97.

- Reducing payments on account

box 18.7 in your Tax Return

Tick this box if you want to make reduced payments on account. This might happen if:

- you expect your income in 1997-98 to be lower than your income in 1996-97, **or**
- you expect your allowances or reliefs to be higher, **or**
- you expect that more of your income will be taxed at source in 1997-98, because
 - it will be taxed under PAYE, **or**
 - it will be covered by subcontractor deductions (SC60), **or**
 - more of your income will come from savings.

If you want to reduce your payments on account:

- you must make a reasonable **estimate on the basis of the information you have now** of the difference between the Income Tax you expect to pay for 1997-98 and your Income Tax for 1996-97 on this Tax Return. You can reduce each of your payments on account by half this difference
- enter the amount of each reduced payment on account in box 18.6
- tick box 18.7
- write the reason for reducing your payments on account in the 'Additional information' box on page 8 of your Tax Return.

If you decide later that you have reduced your payments on account by too little, you should write to your Tax Office giving the reason why you are claiming to reduce your payments further.

You should ensure that the payments you make by 31 January 1998 and by 31 July 1998 add up to your best estimate of your final liability for 1997-98.

If your payments on account turn out to be different from your tax bill for 1997-98:

- if you have paid **more** than you needed to, you will be credited with interest
- if you have paid **less** than you needed to, you will be charged interest.

Calculating your tax bill - continued

Your two payments on account only need to add up to the smaller of:

- the actual Income Tax and Class 4 NIC due for 1997-98 (*net of tax deducted at source and tax credits on dividends*), or
- the actual Income Tax and Class 4 NIC due for 1996-97 (*net of tax deducted at source and tax credits on dividends*).

If you have been fraudulent or negligent in claiming a reduction in payments on account, you may be charged a penalty.

If you decide later that you have reduced your payments on account by too much, you can make a claim to revise the amounts upwards and/or pay additional amounts in line with your revised estimate. If you do not make a claim, additional amounts paid may be allocated to other outstanding liabilities.

box 18.8 in your Tax Return

Tick this box if you do not have to make payments on account.

box 18.9 in your Tax Return

If you are claiming now to carry back to 1996-97:

- a 1997-98 trading loss (write details of your claim in the 'Additional information' box on page 8 of your Tax Return)
- 1997-98 pension payments (boxes 14.4, 14.9, 14.14 of your Tax Return),

you will need to calculate the amount of the 1997-98 repayment by reference to the tax rates and your circumstances for 1996-97.

Recalculate your 1996-97 tax liability taking into account the loss or pension payment. The difference between that figure and the amount in box W56 is the amount of your 1997-98 repayment. Enter it in box 18.9 of your Tax Return.

Working out your payment due on 31 January 1998

If you have paid too little tax for 1996-97:

- the figure in box W62 - the amount you owe for 1996-97 - **unless** it is less than £1,000 and is to be collected through your tax code (see page 26 in your Tax Return Guide)

plus

- any figure in box 18.6 - the first payment on account for 1997-98

minus

- any figure in box 18.9 - a 1997-98 repayment

equals

- the amount due on 31 January 1998 (or, if negative, the amount you are owed)

W62 £

plus

18.6 £

minus

18.9 £

equals

£

If you have paid too much tax for 1996-97:

- the figure in box W63 - the amount you are owed for 1996-97

plus

- any figure in box 18.9 - a 1997-98 repayment

minus

- any figure in box 18.6 - the first payment on account for 1997-98

equals

- the amount you are owed (or, if negative, the amount due on 31 January 1998)

W63 £

plus

18.9 £

minus

18.6 £

equals

£

If you have outstanding liabilities (such as unpaid tax from earlier years, unpaid interest, unpaid surcharges or unpaid penalties), your net overpayment will be used to pay them first.

Otherwise you can claim a repayment. Fill in Question 19 in your Tax Return as appropriate. If you do not claim a repayment, your net overpayment will be set against your next tax bill.