

TAX CREDIT RELIEF: LUMP SUMS AND COMPENSATION PAYMENTS

If you want to calculate your tax, use this Help Sheet to work out the tax credit relief available against your income, if that income includes lump sums and compensation payments.

If you also have chargeable Capital Gains, ask the Orderline for *Help Sheet IR263: Tax Credit Relief: lump sums and capital gains*.

References in this Help Sheet that start with the letter 'L' are to the Working Sheet in the Tax Calculation Guide (Lump Sums), SA153 which you should fill in if you have lump sums and compensation payments, and want to calculate your tax.

Complete a separate Tax Credit Relief Working Sheet for each item of foreign income on which you have paid foreign tax and want to claim relief by way of credit. Ask the Orderline for additional copies or take photocopies of the Working Sheet on pages 3 and 4.

Before beginning to fill in the Tax Credit Relief Working Sheet make sure that you have filled in the main Tax Calculation Working Sheet in the Tax Calculation Guide (Lump Sums) as far as box L66.

box 1 If you are completing your first TCRWS, copy to box 1 the figure in box L21 in your Tax Calculation Working Sheet. Otherwise, copy the figure from box 5 of the last TCRWS (Lump Sums) that you completed.

box 2 From your Foreign Pages, select the item of income which has suffered the highest rate of foreign tax and for which you have yet to calculate tax credit relief. For that item, enter in box 2 the amount of income chargeable to UK tax, as shown in column E.

box 4 Look at boxes L13 to L19 in your Tax Calculation Working Sheet. If any of the deductions from income that you have claimed there relate specifically to, and depend upon the amount of, the item of income shown in box 2, enter in box 4 the amount of the deductions which are attributable to that item of income.

Example 1

Christine is 34 and her business profits of £12,000 include £4,000 which has suffered foreign tax. She has paid personal pension contributions of £1,800. On the income of £12,000, relief as a deduction is due for the whole £1,800. If the £4,000 foreign profits are excluded, however, the relief for pension contributions is limited to £1,400 (being 17.5% of the remaining 'net relevant earnings' – £8,000). So the amount of the deduction which is attributable to the foreign profits is £1,800 minus £1,400 = £400. This would be the figure to enter in box 4.

box 6 Copy to box 6 the figure from box L23.3 in your Tax Calculation Working Sheet.

box 8 If you were born on or after 6 April 1933, copy the figure in box L25.6 of your Tax Calculation Working Sheet to box 8.

If you were born before 6 April 1933, you need to work out the personal allowances to which you would be entitled if your income was the amount shown in box 5 above rather than that shown in box L21 of your Calculation Working Sheet. Refer to page 4 in your Tax Calculation Guide (Lump Sums) and recalculate the figure of personal allowances due based on the figure in box 5 above. Enter the result in box 8.

box 10 Enter in box 10 the lower of box 9 and $(\text{boxes } 12.8 + 12.12 + 7.18 + (\text{box } 6.7 \times 100/23))$. Exclude any item that has appeared in box 2 of this or any previous TCRWS.

box 12 Enter in box 12 the total of boxes 10.23, 10.26, 10.29, 10.32 + $(4.78 \times 100/20) + 7.15$. Exclude any item that has appeared in box 2 of this or any previous TCRWS.

box 15 Enter in box 15 the total of boxes 10.1, 10.4, 10.7, 10.8, 10.11, 10.14, 10.17, 10.20, 6.2, 7.6, 7.12 and 4.70 *minus* $(4.78 \times 100/20)$. Exclude any item that has appeared in box 2 of this or any previous TCRWS.

box 18 Enter in box 18 the total of boxes 12.5, 12.8, 12.12, 1.29, 6.8 and 7.18. Exclude any item that has appeared in box 2 of this or any previous TCRWS.

box 23 Enter in box 23 the total of boxes 12.5 + 1.29 + 6.8 *minus* $(\text{box } 6.7 \times 100/23)$. Exclude any item that has appeared in box 2 of this or any previous TCRWS.

box 29 Use the following boxes to work out the figure to put in box 29.

Non savings income (apart from gains on life policies and certain lump sums and compensation payments) from boxes 21 + 25 + 7.18 + 12.12. **29.1** £

IF the figure in box 29.1 is £4,100 or more, enter at box 29.7 the greater of boxes 29.2 or 29.3 and do not complete boxes 29.4 to 29.6

box 21 + box 24 + box 25
29.2 £

box 24 + £4,100
29.3 £

OTHERWISE
add box 29.1 + savings income

box 29.1 + box 13 + box 16
29.4 £

If the figure in box 29.4 is £4,100 or more, complete box 29.5 and copy the figure to box 29.7.
Leave box 29.6 blank

box 29.1 + £4,100
29.5 £

OTHERWISE
complete box 29.6 and copy the figure to box 29.7

box 29.4 + box 24
29.6 £

From box 29.2 or box 29.3 or box 29.5 or box 29.6

29.7 £

Copy the figure in box 29.7 to box 29

box 44 To complete this box you will need to work out the amount of Top Slicing Relief which would have been due if your total income had been the figure at box 3 above. Use the Top Slicing Relief Working Sheet on page 5 (ask the Orderline for extra copies if you are claiming tax credit relief in respect of more than one item of foreign income).

Add together the reworked amount of Top Slicing Relief (box TSR14) and the figures in boxes L63, L65 and L66 in the Tax Calculation Working Sheet and enter the result in box 44.

box 45 Deduct the figure in box 44 from the figure in box 43 and enter the result in box 45. If the figure in box 44 exceeds the figure in box 43 enter '0' in box 45.

box 46 If this is the first TCRWS (Lump Sums) you are completing, enter the figure from box L60 of your Tax Calculation Working Sheet less the figure in box 44 above.

Otherwise, enter the figure in box 45 of the last TCRWS (Lump Sums) you completed.

This is the Income Tax (before tax credit relief) chargeable on the income shown at box 1 above.

box 47 Subtract the figure in box 45 from that in box 46 and enter the result in box 47.

This is the amount of Income Tax at your marginal rate on the item of income shown at box 2 above.

box 48 Enter the amount of foreign tax paid on the item of income at box 2 above (from column D of the Foreign Pages).

box 49 Enter the lower of the figure in boxes 47 and 48.

This is the amount of tax credit relief allowable in respect of the income at box 2 above.

Now complete another TCRWS (Lump Sums) for your next item of income. Otherwise, add up the figures in box 49 of each TCRSW and put the total in box 6.9 in your Foreign Pages.

Tax Credit Relief Working Sheet (TCRWS) (Lump Sums etc.)

Income less deductions	see notes 1 £			
Item of income which has suffered the highest percentage rate of foreign tax	see notes 2 £	box 1 minus box 2 3 £		
Deductions specifically related to the income at box 2	see notes 4 £	box 3 + box 4 5 £		
Deductions for which tax relief is given at source	see notes 6 £	box 5 + box 6 7 £		
		see notes 8 £	box 7 minus box 8 9 £	see note aside for box 10 10 £
			<i>If the figure in box 9 is zero do not complete boxes 12 to 42 and enter zero in box 43</i>	
	box 9 minus box 10 11 £			
	see note aside for box 12 12 £	lower of box 11 and 12 13 £	box 11 minus box 13 14 £	
			<i>If the figure in box 14 is zero enter zero in boxes 16, 21, 24 and 25. Do not complete boxes 15 to 23</i>	
	see note aside for box 15 15 £	lower of box 14 or box 15 16 £	box 14 minus box 16 17 £	
			<i>If the figure in box 17 is zero enter zero in boxes 21, 24 and 25. Do not complete boxes 18 to 23</i>	
	see note aside for box 18 18 £	from box 3 19 £	box 19 less box 18 20 £	
			<i>If the figure in box 20 is zero enter zero in boxes 21, 24 and 25. Do not complete boxes 22 and 23</i>	
	smallest of £4,100 box 29 or box 17 21 £	box 17 minus box 21 22 £		
		<i>If the figure in box L39 is zero enter zero in boxes L41 and L42. Do not complete box L40</i>		
	see note aside for box 23 23 £	lower of box 22 or box 23 24 £	box 22 minus box 24 25 £	
			boxes 13 + 16 + 21 + 24 + 25 26 £	box 26 x 20% 27 £
			<i>If the figure in box 9 is £4,100 or less go straight to box 43. Do not complete boxes 29 to 42</i>	
				box 10 x 23% 28 £

Tax Credit Relief Working Sheet (TCRWS) (Lump Sums etc.)

see notes	box 29 minus box 30	box 31 x 3%
29 £	30 £ 4,100	31 £
box 9 minus (boxes 6 plus 12.9)		32 £
33 £		

If the figure in box 33 is £26,100 or less go straight to box 43. Do not complete boxes 32 to 42

box 33 minus box 34	box 35 x 17%
34 £ 26,100	35 £
	36 £

If the figure in boxes 13 and 16 are zero go straight to box 43. Do not complete boxes 37 to 42

box 13 + box 16	boxes 21 + 25 + 37 + 7.18 + 12.12	£26,100 + boxes 6 + 12.9
37 £	38 £	39 £
box 38 minus box 39	lower of box 37 or box 40	box 41 x 3%
40 £	41	42 £
		boxes 27 + 28 + 32 + 36 + 42
		43 £

Reliefs (other than Double Taxation Relief) allowed in terms of tax	see notes
	44 £

box 43 minus box 44
45 £

Income Tax due (before Double Taxation Relief) on income in box 1	see notes
	46 £

Income Tax due on income in box 2	box 46 minus box 45
	47 £

Foreign tax paid on income in box 2	from column D
	48 £

Total Tax Credit Relief due against UK tax payable on item of income in box 2	lower of boxes 47 + 48
	49 £

Top Slicing Relief (TSR) working sheet (for use in connection with claims for foreign tax credit)

box L33 **minus** (boxes 1.29 and 5.22)

TSR1 £

Chargeable Event Gains

from box 6.8, 12.5 + 12.8

TSR2 £

box TSR1 **less** box TSR2

TSR3 £

If the figure in box TSR3 is £26,100 or more, no Top Slicing Relief is due. Enter '0' in box L61 on page 10. If the figure in box TSR3 is less than £26,100 fill in the boxes below.

Page 15 of the Tax Return Guide and *Help Sheets: IR320 and IR321* explain when it is necessary to give additional information if you have gains from a number of insurance policies. You need to use a separate line below for each chargeable event gain, or total chargeable event gains from a cluster of identical policies.

Chargeable Event Gains

from boxes 6.8 + 12.5 + 12.8

A

TSR3 + TSR4

TSR5 £

If you had one Chargeable Event Gain complete box TSR9

TSR8 x number of years in col B

TSR9 £

If you had more than one Chargeable Event Gain complete boxes TSR10 and TSR11

TSR8 x TSR2

TSR10 £

Number of years

from boxes 6.6 + 12.4 + 12.6 and 'Additional information' box on page 8 of your Tax Return

B

TSR6 £ 26,100

TSR5 **minus** TSR6 (if result is a negative enter zero)

TSR7 £

TSR10 divided by TSR4

TSR11 £

A divided by B

Total column above

TSR4 £

TSR7 x 17%

TSR8 £

Complete boxes TSR12 to TSR14 in all cases

(TSR1 **minus** TSR6) x 17%

TSR12 £

from box TSR9 or TSR11

TSR13 £

TSR12 **minus** TSR13

TSR14 £

Include this figure in box 44 of the Tax Credit Working Sheet.