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HELP SHEETS AND LEAFLETS

Help Sheets and leaflets giving more detailed information about particular tax rules for the Trust and Estate Trade Pages are available from the Orderline.

- SA BK3: *Self Assessment - a guide for keeping records for the self employed*
- IR222: *How to calculate your taxable profits*
- IR223: *Rent a Room for traders*
- IR224: *Farmers and market gardeners*
- IR227: *Losses*
- IR229: *Information from your accounts*
- IR232: *Farm stock valuation*

Filling in the Trust and Estate Trade Pages

You must fill in the Trust and Estate Trade Pages if, at any time during the 1997-98 tax year, the trust or estate carried on a trade, profession or vocation as a person in the UK or abroad.

If you are the personal representative of a deceased Name at Lloyd's, you may need to complete the Trust and Estate Lloyd's Underwriters Pages instead. If the trust was a member of a partnership, fill in the Trust and Estate Partnership Pages instead.

Get the material you need to complete the Trust and Estate Trade Pages:

- the business accounts covering the basis period for the 1997-98 tax year (basis period is explained on page TTN3)
- the books and records, if you do not have accounts.

You should have records of all the business transactions. You must keep these until at least 31 January 2004 in case the Tax Office asks to see them, booklet SA/BK3 has more information.

You may need to complete more than one set of Trust and Estate Trade Pages if **either** of the following circumstances apply:

- you do not have a single set of accounts for the period that is the basis period for 1997-98. This may happen if the business has recently commenced, ceased or has changed accounting date. See the notes on pages TTN2 and TTN3 which explain how to work out the basis period and the accounts information you must provide, or
- the trust and estate carried on more than one business - you must complete separate Trust and Estate Trade Pages for each. Ask the Orderline for more, or photocopy one you already have (if you use a photocopy, please put the trust or estate name and tax reference in the 'Additional information' box on Page TT1).

If you have a single set of accounts which covers more than one business, you should transfer the figures to one set of Trust and Estate Trade Pages. Then deduct the income and disallow the expenses relating to any business other than the main business, and include it in a separate set of Trust and Estate Trade Pages for each of the other businesses.

You should only include in the Trust and Estate Trade Pages details relating to that business. Other income should be entered in the appropriate parts of the Trust and Estate Tax Return. For example, enter:

- partnership income in the Trust and Estate Partnership Pages
- dividends from companies on page 3 of the Trust and Estate Tax Return.

If you are unsure whether the activities amount to a trade, profession or vocation, ask the Tax Office or your tax adviser for advice.

Read the notes on page TTN7 before filling in the Trust and Estate Trade Pages if the trust or estate business was farming or market gardening.

If there are trade debts from overseas transactions which cannot be paid or brought to the UK because of exchange control restrictions or a shortage of foreign currency in the overseas country, ask the Tax Office or your tax adviser about Extra Statutory Concession B38.

Before you start

You pay tax for 1997-98 on all the trust or estate's business profits (see page TTN6 if the business made a loss) for the period.

The business profit for each business is the difference between:

- turnover, other business receipts, balancing charges and the value of goods taken for personal use, **and**
- allowable business expenses (including capital allowances).

The Trust and Estate Trade Pages will help you work out the taxable business profit and will provide me with the information I need to process the Trust and Estate Tax Return.

For each business you must:

- provide business details in boxes 1.1 to 1.10
- give details of income and expenses in boxes 1.11 to 1.13 if the annual turnover is below £15,000, or in boxes 1.14 to 1.60 if the annual turnover is £15,000 or more
- work out the taxable profit on Page TT3, using boxes 1.61 to 1.88
- if there is a balance sheet, provide information about the business assets or liabilities in boxes 1.93 to 1.109.

Work through the following steps for each business

Step 1 Work out the basis period for the business using the notes on page TTN3.

Step 2 Work out how many 'accounts' fall within that basis period.

Step 3 Check whether you provided details of any of these 'accounts' in boxes 1.11 to 1.60 and boxes 1.93 to 1.109 of last year's Return. If so, you do not need to provide the same information again. You only need to tick box 1.5A if details relating to all these accounts have already been included in last year's Return.

Step 4 **If you have only one set of accounts for the basis period** fill in one set of Trust and Estate Trade Pages for the whole of the basis period unless you have already provided this information in last year's Return. You must always complete boxes 1.71 to 1.88 on Page TT3, as appropriate, to arrive at the taxable profit for 1997-98.

OR

If you have more than one set of accounts for the basis period, complete boxes 1.1 to 1.70 and 1.93 to 1.109, as appropriate, on separate Trust and Estate Trade Pages for each set of accounts. You do not need to repeat any information for any period of account which you provided in last year's Return. Then fill in boxes 1.71 to 1.92, as appropriate, on the Trust and Estate Trade Pages for the most recent set of accounts to arrive at the taxable profit for 1997-98.

The Notes will help you. They use some technical terms such as 'trade', 'basis period' and so on. They explain these terms as fully as possible, but they are not a comprehensive guide for all cases. There is also a Glossary of terms on Page TTN7.

- Providing details of income and expenses

For most businesses, the information on the Trust and Estate Trade Pages will enable a full and fair picture of the business to be presented. If there are any points needing further explanation, provide details in the 'Additional information' box on Page TT4.

You do not need to send me the accounts.

In some larger or more complex businesses additional information given on the Trust and Estate Trade Pages may not be enough to provide a full and fair picture of the business. You may consider the submission of further information, including perhaps accounts or supporting calculations, necessary. This may be the case where:

- a large business has a substantial turnover, **or**
- a business is complex (perhaps because it is a highly specialised trade), **or**
- accounts or computations are required for a proper understanding of the figures.

But you must also complete Page TT2 if the annual turnover is £15,000 or more, and Page TT4 if you have a balance sheet.

If you do not have accounts

Even if you do not have accounts prepared for the business each year, the taxable profit should still be worked out using generally accepted accountancy principles. These Notes will help. For further advice on how profits are taxable, what to include in the turnover and what expenses are allowable for tax, ask the Orderline for *Help Sheet IR222: How to calculate your taxable profits*.

You will come across the terms 'accounting period' and 'accounting date' in both these Notes and the Help Sheets. If you do not have accounts prepared for the business you should read:

- 'accounting period' to mean the period for which you provide details of the business income and expenses, **and**
- 'accounting date' to mean the date on which that period ends.

If you do have accounts

Accounts are prepared for a variety of reasons and in a variety of ways and it may not be immediately obvious where in the Trust and Estate Trade Pages you should enter some of the figures. *Help Sheet IR229: Information from your accounts* gives practical help on filling in the Trust and Estate Trade Pages, including some worked examples.

In some situations you may need to combine or apportion the figures to fit the standard format. There may be more than one acceptable way of doing this. Whichever method you adopt, you should be consistent from one year to the next. If you want to explain any figures in more detail, do so in the 'Additional information' box on Page TT4 of the Trust and Estate Trade Pages.

Make sure that you transfer all the entries in the accounts, and that you include them only once. Do not bring in any amounts which are not included in the accounts unless they are needed to calculate the taxable profit or were excluded in error from the accounts. Include any such amounts in box 1.87. Explain why the entry is necessary in the 'Additional information' box on Page TT4.

- Provisional figures

If you cannot complete the income and expenses section of the Trust and Estate Trade Pages because it is impossible to prepare the figures from which the taxable profit is to be calculated before the latest date for sending the Trust and Estate Tax Return, you should provide an estimate of the taxable profit in box 1.88 and tick box 1.72A. Read the notes on page 17 of the Trust and Estate Tax Return Guide and then tick box 19.2, and explain in the 'Additional information' box on page 8 of the Trust and Estate Tax Return why you cannot provide final figures. Give a date by which you expect to be able to do so.

- Other estimates (including valuations)

In some situations you may need to provide an estimated figure or valuation that you do not intend to amend at a later date. If so, read the notes on page 17 of the Trust and Estate Tax Return Guide.

Business details

● Basis period for 1997-98

You pay tax for 1997-98 according to the profits, or losses, for the basis period.

After the first two or three years in business the basis period will be the 12 month period up to the date chosen as the annual accounting date. For example, if the business has been running for a number of years and the annual accounting date is 31 December, the basis period for 1997-98 is the 12 months from 1 January 1997 to 31 December 1997.

Ask the Orderline for *Help Sheet IR222: How to calculate your taxable profits* if:

- the business started after 5 April 1996
- the accounting date is not the same as used in 1996-97
- there was no accounting date in 1997-98
- the business ceased in 1997-98.

boxes 1.1 to 1.3

Make sure you complete these boxes for each set of Trust and Estate Trade Pages you complete.

boxes 1.4 and 1.5

Enter in boxes 1.4 and 1.5 the details of the period to which the information in boxes 1.11 to 1.13, or 1.14 to 1.60 and, where there is a balance sheet, 1.93 to 1.109, relate. Make sure you have read the section headed 'basis period for 1997-98' above before continuing. Work out the basis period to decide the period(s) of account for which you need to provide details.

box 1.5A

Tick box 1.5A if you are not required to provide details from any of the accounts this year. Leave boxes 1.11 to 1.60 and boxes 1.93 to 1.109 blank but complete boxes 1.61 to 1.92.

box 1.6

Tick box 1.6 if details in boxes 1.1 and 1.3 have changed since the last Trust and Estate Tax Return.

box 1.7

Tick box 1.7 if there is a gap between the end of the previous accounting period and the beginning of this one. Explain why in the 'Additional information' box on Page TT1.

box 1.8A

There are special rules to prevent exploitation of the transitional overlap relief rules for 1997-98. You can avoid the penalty imposed by these rules if you voluntarily disclose that they apply, and by making the appropriate adjustment in the 'Overlap profit carried forward' box, box 1.77, on Page TT3.

boxes 1.8B and 1.8C

If the accounting date has changed, ask the Orderline for *Help Sheet IR222: How to calculate your taxable profits* and work through it before completing the rest of these Pages.

box 1.9

If the business started after 5 April 1994, enter the start date. If the accounting date has changed since then, ask the Orderline for *Help Sheet IR222: How to calculate your taxable profits*.

box 1.10

If the business was sold or closed down between 6 April 1997 and 5 April 1998, enter the date it ceased in box 1.10. If this is not the same as the date in box 1.5 you must complete another set of Trust and Estate Trade Pages.

Income and expenses - annual turnover below £15,000

If the trust or estate's business's annual turnover (excluding any balancing charges) is below £15,000 for a full year, you may fill in the special, shortened income and expenses section on Page TT1 (boxes 1.11 to 1.13) instead of boxes 1.14 to 1.60 on Page TT2.

But you must fill in one section or the other.

box 1.11

Enter the turnover and any other taxable business receipts in box 1.11. You will also need to include the normal selling price of all goods taken out of the business for personal use by the trustees or personal representatives, or for their families or friends, minus the price that was paid for them and which has already been included in turnover. Include any balancing charges.

box 1.12

Enter the **allowable** business expenses in box 1.12. Make sure you do not include any items that are not allowable against tax (The Table on Page TTN5 will help you decide). Include any capital allowances.

Income and expenses - annual turnover of £15,000 or more

If the trust or estate's business annual turnover is £15,000 or more, you must fill in boxes 1.14 to 1.60 on Page TT2.

● Value Added Tax

boxes 1.14 and 1.15

If the trust or estate is **not** registered for VAT, the sales figure will not include any VAT. Expenses in boxes 1.17 to 1.51 should include VAT. There is no need to tick either box 1.14 or 1.15.

If the trust or estate is registered for VAT, you may enter details of the business income and allowable expenses either all net of VAT or all inclusive of VAT. Where you adopt the latter approach, then either the net payment to Customs and Excise should be included as an expense in box 1.50, or any net repayment received from Customs and Excise should be included as a taxable receipt in the entry in box 1.37. Tick either box 1.14 or box 1.15 to show whether entries in boxes 1.16 to 1.51 include or exclude VAT.

If the trust or estate registered for VAT during the period, the expenses up to that date should include VAT regardless of whether later sales and expenses are recorded inclusive or exclusive of VAT. Tick box 1.14 and include the following details in the 'Additional information' box on Page TT4:

- a note that the trust or estate registered for VAT during the period
- the date of the registration
- whether sales and expenses from the registration date are VAT inclusive or exclusive.

Similar action is required if the VAT registration was cancelled during the period, except that the details to appear in the 'Additional information' box should refer to the date of deregistration and whether sales and expenses before that date are inclusive or exclusive of VAT. Expenses from the deregistration date should include VAT.

If the trust or estate is registered for VAT and the goods supplied are zero rated (so that sales figures do not include any VAT), tick either box 1.14 or box 1.15 to show whether entries in boxes 1.17 to 1.51 include or exclude VAT.

If the trust or estate is registered for VAT, but treated by Customs and Excise as partly exempt, for the purposes of calculating taxable profits, business expenditure includes any input tax that is not claimable. Where you complete boxes 1.16 to 1.51 on a VAT inclusive basis entering the net payment to, or net repayment from, Customs and Excise, in boxes 1.50 and 1.37 respectively, will reflect this. However, if you complete the boxes on a VAT exclusive basis please ensure that expenses figures include any relevant input tax not claimed for VAT purposes.

The calculation of the net payment to (or repayment from) Customs and Excise may have included VAT on capital items purchased during the year; for example, on assets or rights that are of lasting use to the business and which are not bought or sold as part of ordinary trading operations. These might include business premises, plant, machinery, vehicles and trade rights. If you enter details of income and expenses inclusive of VAT on the Trust and Estate Trade Pages, make a note of the VAT on those capital items in the 'Additional information' box on Page TT4. Add that amount to the net payment to Customs and Excise which you include as an expense in box 1.50, or deduct it from the net repayment you include as a taxable receipt in box 1.37.

If you are in any doubt about the correct treatment of VAT on the Trade Pages, ask the Tax Office or your tax adviser. Contact your local Customs and Excise Office for more general guidance about VAT issues.

● Sales/business income (turnover)

box 1.16 Enter the amount of the turnover in box 1.16. If it includes income from which tax has been deducted enter in box 1.92 the total tax deducted between 6 April 1997 and 5 April 1998.

● Business expenses

boxes 1.17 to 1.50 You should include all business expenses in boxes 1.33 to 1.35 and 1.38 to 1.50.

Some of the amounts you enter in boxes 1.33 to 1.35 and 1.38 to 1.50 may not be allowable for tax purposes. Enter any disallowable amounts in boxes 1.17 to 1.32 and the total in box 1.53.

Disallowable amounts may be expenses that are not allowable at all for tax (such as entertainment expenses and depreciation of fixed assets) or the disallowable part of expenses (such as motor expenses, if a vehicle is used for private as well as business mileage).

Example 1

Total motor expenses included in box 1.42 are £3,000 and one-third of the mileage is private. You can only claim two-thirds of the cost against tax, that is £2,000. Enter the private use proportion of £1,000 in box 1.24.

Some small businesses can calculate car expenses using a fixed rate per business mile rather than actual costs. Details and conditions are in *Help Sheet IR222: How to calculate your taxable profits*.

If any of the amounts in boxes 1.33 to 1.35 and 1.38 to 1.50 are recoverable under an insurance, include them in the disallowable expenses to be entered in boxes 1.17 to 1.32 unless they are already in box 1.16 or box 1.37.

Use the table on page TTN5. It provides further information on how to fill in the boxes.

● Other income/profits

box 1.37 Enter in box 1.37 any business income you did not include as turnover in box 1.16. Examples might include rental income and interest from a business bank or building society account. If you are including this income in a different place on the Trust and Estate Tax Return make sure you deduct it at box 1.58. For example, bank interest included on page 3 of the Trust and Estate Tax Return should not be included in the net business profit or loss shown in box 1.60.

● Additional information

Use the 'Additional information' box on Page TT4 if you want to explain any of the figures in more detail. For example:

- particulars of any significant or unusual items (either income or expenditure) included in the figures, **or**
- details of receipts or expenditure connected with the business which for any reason are not included in the figures, **or**
- an explanation of any tax adjustment to the net profit where the reason is not apparent from these figures, **or**
- an explanation of any items not included in the accounts information, but which affect the taxable profits.

This may avoid unnecessary enquiries being made. Further help is available in *Help Sheet IR229: Information from your accounts*.

Tax adjustments to net profit or loss

box 1.53 Enter in box 1.53 the total of disallowable expenses in boxes 1.17 to 1.32.

box 1.54 You should also make adjustments for goods taken out of the business for personal use by the trustees or personal representatives, or for their families or friends. Enter in box 1.54 the normal selling price of all goods taken out for such use, minus the price paid for them and included in the turnover in box 1.16.

box 1.58 Use box 1.58 for any adjustments (deduct from a profit or add to a loss) for any amounts you took into account in arriving at the net profit or loss, but which are either not taxable receipts or are not taxable as profits from the trade or profession. Any taxable income in box 1.58 must be included in the appropriate part of the Trust and Estate Tax Return.

Foreign tax

If the business income includes amounts that have been taxed abroad, you may be able to claim a credit against the UK tax bill. To do so you should fill in the Trust and Estate Foreign Pages. (Ask the Orderline for a copy if you do not have one.) This will usually be the most beneficial way to claim relief for the foreign tax paid.

However, if you do not wish to claim tax credit relief, you may instead deduct the foreign tax in working out the taxable profit or loss. Enter in box 1.58 the amount of foreign tax paid on the foreign income included in the Trust and Estate Trade Pages. Remember to exclude this tax from the Trust and Estate Foreign Pages.

If you are claiming overlap relief this year for an amount on which you claimed tax credit relief in an earlier year, you will need to ask the Orderline for *Help Sheet IR260: Overlap* if you want to calculate the tax. Otherwise, enter details of the amount claimed in the 'Additional information' box.

Capital allowances and balancing charges

boxes 1.61 to 1.70 In working out the taxable profits you must not deduct:

- the cost of buying, altering or improving fixed assets, **or**
- depreciation or any losses that arise when you sell them.

Instead, you can claim tax allowances called capital allowances. These are deducted in working out the taxable profits and should be included in box 1.57. An adjustment, known as a balancing charge, may arise when you sell an item, give it away or stop using it in the business. Balancing charges are added to the taxable profits and should be included in box 1.55.

You should complete boxes 1.61 to 1.70 in **each** set of Trust and Estate Trade Pages you complete. This is because separate capital allowances calculations are required for each of the accounting periods. If you are not sure what to include, ask the Orderline for *Help Sheet IR222: How to calculate your taxable profits*.

Table of business expenses

The following table will help you decide what business expenses to include in boxes 1.33 to 1.50. It also gives an indication about which expenses cannot be claimed in working out business profits for tax purposes.

	■ Disallowable expenses	■ Total expenses
• Cost of sales	box 1.17 Fuel expenses attributable to non-business use of vehicles	box 3.33 If the business involves the resale or consumption of raw materials, enter here the cost of the goods used; that is, purchases plus opening stock/work-in-progress <i>minus</i> closing stock/work-in-progress. So, for example, subcontractors in the construction industry should include here the cost of any materials supplied. And taxi drivers, minicab drivers etc. and those in the road haulage industry should enter fuel expenditure in this box rather than elsewhere.
• Construction industry subcontractor costs	box 1.18 Any payments made relating to non-business work.	Businesses providing services commonly adjust their business profits to reflect work-in-progress at the start and end of the period of account. If an adjustment of this sort is appropriate, make it here; otherwise leave the box blank. If the figure is negative, enter it in brackets. box 1.34 Include all payments to subcontractors in the construction industry. Enter the amount before deduction of tax if any payments have been made to uncertificated subcontractors.
• Other direct costs	box 1.19 Depreciation of fixed plant.	box 1.35 Expenses deducted to arrive at gross profit, for example, discounts allowed, commissions payable, carriage and, in manufacturing businesses, the costs of producing goods sold such as direct labour costs, depreciation of fixed plant, machine hire, small tools and consumables. If the business provides services, it may incur rechargeable expenses, which are deducted to arrive at a figure of gross profit.
• Employee costs	box 1.20	box 1.38 For example, salaries, wages, bonuses, pensions, benefits, employer's NIC etc. for permanent, temporary and casual employees, and other staff-related costs such as canteen expenses and recruitment agency fees etc. Any subcontract labour costs, including locum fees, not included elsewhere should be included here.
• Premises costs	box 1.21 Non-business part of premises costs used partly for business use. Costs of acquiring premises.	box 1.39 For example, rent, business rates, water rates, light, heat, power, property insurance, security and other similar expenses. If accounts contain an amount for 'use of home', include that figure here.
• Repairs	box 1.22 Non-business part of repairs, renewals and general maintenance of premises used partly for business. Costs of alteration or improvements to business premises.	box 1.40 For example, repairs and renewals, general maintenance of business premises and machinery.
• General administrative expenses	box 1.23 Private and personal expenses. Non-business part of costs used partly for business, payments to political parties. Most payments to clubs, charities or churches.	box 1.41 For example, telephone, facsimile, postage, stationery and printing costs, courier services, together with general office expenses, the costs of trade or professional journals and subscriptions etc., costs of insurance not included elsewhere and other similar recurring costs which arise in running the business.
• Motor expenses	box 1.24 Travel between home and business. Costs of buying vehicles (but capital allowances can be claimed). Parking and other fines.	box 1.42 For example, insurance, servicing, repairs, Vehicle Licence, petrol or diesel, hire and leasing charges, parking charges, AA/RAC membership.
• Travel and subsistence	box 1.25 Meals (except the reasonable cost of meals on overnight business trips).	box 1.43 For example, all travel costs other than those included in motor expenses, such as rail, air and taxi fares, together with hotel accommodation costs and subsistence or similar costs.
• Advertising, promotion and entertainment	box 1.26 All entertaining and hospitality, except the costs of entertaining staff, and gifts (not food or drink) of up to £10 per person per year which advertise the business.	box 1.44 For example, the ordinary day to day costs of advertising and promoting the business goods or services, such as newspaper advertisements, mailshots and the distribution of free samples of the goods dealt in. Entertainment.
• Legal and professional costs	box 1.27 Costs of settling tax disputes, legal costs of buying fixed assets (these are treated as part of the cost of the fixed asset). Costs and fines or penalties for breaking the law.	box 1.45 For example, accountant's, solicitor's, surveyor's, architect's, stocktaker's and other similar costs, together with professional indemnity insurance premiums and the like.
• Bad debts	box 1.28 General bad debts reserve. Debts that were not taxed when they arose, for example, because they relate to a sale of a fixed asset.	box 1.46 The amount of money included in turnover but remaining unpaid at the accounting date that the trust or estate considers will never be recovered and has decided to write off this year. If unexpectedly, it does recover the amount in a later year, make sure that it is included in box 1.37 in that later year's Trust and Estate Tax Return.
• Interest	box 1.29 Repayment of the loan or overdraft.	box 1.47 Interest on bank and other loans (including overdrafts).
• Other finance charges	box 1.30 Repayment of the loan or overdraft.	box 1.48 For example, bank charges, credit card charges, hire purchase interest, and leasing payments and other similar costs not included elsewhere.
• Depreciation and loss/(profit) on sale	box 1.31 Generally, depreciation and losses on assets are not allowable for tax, and profits on assets are not taxable receipts. Any figure in box 1.49 should be cancelled by putting the same figure in box 1.31. However, to the extent that any of these items are attributable to assets held under finance leases a different treatment may be appropriate. If you are in any doubt about the correct treatment, ask your Tax Office or tax adviser.	box 1.49 Add together depreciation and losses on sales of assets, and deduct profits on sales of assets that are included in the accounts, and enter the resulting figure in the box. Where the profit on disposal of an asset exceeds the total of any losses on disposal and depreciation added together, show such a figure in brackets. A figure in brackets is to be deducted when you add up your total expenses.
• Other expenses	box 1.32 The non-business part of expenses in box 3.50. Ordinary, everyday clothing even if bought specially for business use.	If you sold assets at a profit, you should consider whether you need to enter a capital gain in the Trust and Estate Capital Gains Pages. box 1.50 Add up all the expenses not included elsewhere and enter the total figure.

Adjustments to arrive at taxable profit or loss

You should only calculate the taxable profit or loss for 1997-98 once, even if you are providing details from more than one set of accounts for this year. Use the 'Adjustments to arrive at taxable profit or loss' section in the set of Trust and Estate Trade Pages for the most recent set of accounts.

boxes 1.71 and 1.72 Enter the dates the basis period for 1997-98 begins and ends in boxes 1.71 and 1.72. Basis period is explained on page TTN3.

box 1.72A If you are unable to complete the income and expenses section of these Pages because it is impossible to prepare the figures to arrive at the taxable profit before the latest date for sending the Trust and Estate Tax Return, tick box 1.72A and provide an estimate of the taxable profit in box 1.88. Read the notes on page 17 of the Trust and Estate Tax Return Guide and then tick box 19.2 on page 8 of the Tax Return, explaining in the 'Additional information' box why you cannot provide final figures. Give a date by which you expect to be able to do so.

boxes 1.73 and 1.74 Copy the profit or loss from box 1.13 or box 1.60, whichever is appropriate, to box 1.73. If you ticked box 1.5A enter '0' in box 1.73 and include the appropriate amount of any profit returned last year in your entry in box 1.74.

If the basis period is not the same as the period covered by the accounts, calculate the profit or loss of the basis period by adding together and/or dividing the profits or losses of the periods for which you have accounts. Enter in box 1.74 any amount that needs to be added to, or deducted from, the figure in box 1.73. *Help Sheet IR222: How to calculate your taxable profits*, explains how to calculate the adjustment.

If the adjustment means you have to deduct a figure at box 1.74, show the figure in brackets and remember to subtract it in arriving at the total taxable profits.

- Overlap and transitional relief

boxes 1.75 to 1.77**Overlap profit and relief**

If the trust or estate started in business on or after 6 April 1994 and the annual accounting date is a date other than 5 April it may be that the basis period for 1997-98 overlaps with the basis period for 1996-97.

Such overlaps occur in the first three years after a business starts up or in a year in which there is a change of accounting date. Ask the Orderline for *Help Sheet IR222: How to calculate your taxable profits* which contains instructions on how to calculate overlap profits and how to claim overlap relief.

Enter in box 1.75 any overlap profit brought forward, in box 1.76 any overlap profit used this year and in box 1.77 any overlap profit carried forward.

Overlap relief may be due if:

- the business closed down or was sold in 1997-98, or
- the accounting date was changed.

Transitional overlap relief

If the trust or estate started in business before 6 April 1994 and the annual accounting date is a date other than 5 April, you may be entitled to transitional overlap relief.

Transitional overlap relief is an amount equal to the profit of the period between the end of the basis period for 1996-97 and 6 April 1997.

Transitional overlap relief is to be calculated before adjustment of the trading or professional profit for capital allowances or balancing charges. If you are voluntarily disclosing that you have applied the anti-avoidance rules in Schedule 22 FA 1995, you will also need to make the appropriate adjustment when calculating the figure to enter.

Any transitional overlap relief due will be given in the same circumstances when overlap relief would be given. Enter in box 1.77 the amount of the transitional overlap profit to be carried forward.

Example 2

The business has been running for many years and accounts are made up to 31 December each year. The 1997-98 basis period is the 12 months to 31 December 1997 and in that period the business made a profit of £15,000 (before deducting capital allowances of £3,000).

Transitional overlap profit should be calculated for the period 1 January 1997 to 5 April 1997 (the period of the 1997-98 basis period before 6 April 1997).

The profit assessable for 1997-98 is £12,000 (£15,000 minus £3,000) and the transitional overlap profit is:

$$15,000 \times \frac{95 \text{ days}}{365 \text{ days}} = £3,904$$

Enter £3,904 in box 1.77.

box 1.78 If the trust or estate business is farming or market gardening you may be able to claim to average two years' profits. Ask the Orderline for *Help Sheet IR224: Farmers and market gardeners*, which explains this.

boxes 1.79 and 1.80 If box 1.73 and the adjustments in boxes 1.74 to 1.78 result in a profit, enter this profit in box 1.79 and '0' in box 1.80.

If the result is a loss, enter this in box 1.80 and '0' in box 1.79. **If the trust or estate business has made a loss**, you may be able to claim tax relief for that loss. If you want information on losses, ask the Orderline for *Help Sheet IR227: Losses*.

Time limits: Some claims must be made by 31 January 2000. You should ensure that any claims you may wish to make are made within the time limit prescribed. Late claims cannot normally be accepted.

box 1.81 If you wish to offset the 1997-98 loss against other trust or estate income of 1997-98, enter the amount you are claiming to offset in box 1.81 (also see *Help Sheet IR227: Losses*).

box 1.82 If you want to offset the 1997-98 loss against income of an earlier year, enter the amount of the loss in box 1.82. If you have already claimed to offset this loss you should still include it in box 1.82, and provide details in the 'Additional information' box on Page TT4.

box 1.83 Enter in box 1.83 any losses sustained in 1997-98 that you claim to carry forward against later profits.

boxes 1.84 and 1.85 Enter in box 1.84 any losses sustained in the same business in earlier years, which you claimed to carry forward against later profits, and have not already used. You can use that loss to offset any profit shown at box 1.79. Enter in box 1.85 the amount you are deducting up to the figure in box 1.79.

box 1.87 Enter any amounts not included elsewhere in the Trust and Estate Trade Pages but which are needed to calculate the taxable profits.

box 1.88 Enter the total of boxes 1.86 and 1.87.

Subcontractors in the construction industry

box 1.92 If the trust or estate business is subcontracting in the building industry, it may have received some payments under the Construction Industry Tax Deduction Scheme. If it has, you should enter in box 1.92 the total of the deductions made on account of tax from payments made during the period 6 April 1997 to 5 April 1998. If you wish to calculate the trust or estate's tax include the figure in box 1.92 in box T41 on the Working Sheet in the Tax Calculation Guide.

The tax deductions should be shown on SC60s, which you should have received from the contractor(s) for whom work was done, and **these forms should be sent with the Trust and Estate Tax Return**. If you have not received SC60s, ask the contractor(s) worked for to provide them. If you cannot get an SC60 please give details of the dates and the amounts paid, the tax deductions and the name and address of the contractor(s) in the 'Additional information' box.

If repayment of SC60 deductions for 1997-98 has already been claimed, you should still enter the total amount of SC60 deductions for the year in box 1.92 and send any outstanding SC60s for the year with the Trust and Estate Tax Return. Enter the amount of the repayment already refunded in box 19.3 on page 8 of the Trust and Estate Tax Return.

Also include in box 1.92 any other tax deducted from trading income between 6 April 1997 and 5 April 1998.

Summary of balance sheet

boxes 1.93 to 1.109 If the trust or estate has business accounts, and they include a balance sheet, copy the entries to the appropriate boxes. If the accounts do not contain a balance sheet, or the turnover was less than £15,000, leave these boxes blank.

Make sure you have transferred all the figures to the summary, and that each is included **once** only. Only include figures appearing in the balance sheet.

You should use your judgement to transfer the figures from the accounts to the most appropriate boxes. Depending on the circumstances of the business, certain elements in the balance sheet may appear either as assets or as liabilities. For example, a bank account with business funds in it will be an asset while an overdrawn account will be a liability. For the former, enter the balance in box 1.97. For the latter, enter the balance in box 1.101.

Other elements that might be affected in this way are most commonly the Capital Account balances and the net profit or loss.

Where a balance on the Capital Account is overdrawn, or the business made a net loss in the year, you should enter the amount in brackets.

The figure of net profit or loss appearing in the balance sheet should be the same as that which you entered in box 1.52 for the same period.

The figure for net business assets (box 1.104) should be the same as the figure for the balance of the Capital Account at the end of the period (box 1.109).

Farmers and market gardeners

You will need *Help Sheet IR224: Farmers and market gardeners* from the Orderline which explains:

- the special rules for averaging profits over two years in some circumstances
- the herd basis for calculating profits which can be used by production livestock farmers
- capital allowances on agricultural buildings and works. Methods of farm stock valuation acceptable to the Inland Revenue are explained in *Help Sheet IR232: Farm stock valuation*.

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

Glossary

Balancing charges Withdrawal of some or all of the capital allowances previously given. They arise when fixed assets stop being used in your business.

Basis period is the period used to identify the profits taxable in any particular tax year.

Capital allowances Allowances against tax for the cost of certain fixed assets.

Fixed assets Assets such as buildings, plant and machinery, vehicles, etc. used in the business but not bought and sold as part of ordinary trading operations. For example, if the trust or estate business is plumbing, the van and tools are fixed assets but pipes, boilers, etc. are not (they are stock). The cost of buying fixed assets is called capital expenditure.

Overlap profit and overlap relief Overlap profits arise when basis periods overlap so that the same profits are taxable in two different tax years. Overlap relief deducts the overlap profits in a later tax year so that over the life of the business you do not pay tax on more profits than are earned.

Stock Raw materials used in the business and goods bought for resale, which are on hand.

Trade Any commercial operation supplying goods or services to a customer for profits is likely to be regarded as a trade. If you are in doubt whether the trust or estate carried on a trade, profession or vocation during 1997-98, you should ask your tax adviser (if you have one) or the Tax Office.

Trade creditors Money owed to other businesses for goods or services received, but unpaid at the accounting date.

Trade debtors Money owed to the business for goods sold or work done that is included in turnover, but remains unpaid at the accounting date.

Turnover is all the money earned by the business before deducting any business expenses. It includes receipts in cash or in kind for goods sold or work done, commission, fees receivable, tips, insurance proceeds for stock and loss of profits, etc. Do not include amounts received from the sale of capital items, that is, assets which are of lasting use to the business, such as business premises, plant, machinery and vehicles.

Turnover should be included in the accounts when it is earned, even if the money is not received until later. Amounts earned but not received by the accounting date - trade debtors - should therefore be counted as turnover. This will include goods delivered or services completed by the accounting date, even if a bill had not been issued by then. But make sure you do not count money received which was included as turnover in an earlier period when it was earned.

Work in progress Partially manufactured stock on hand, or partially completed work on contracts under which the trust or estate business provides services.

