

## TAX CREDIT RELIEF: LUMP SUMS AND CAPITAL GAINS

If you want to calculate your tax use this Help Sheet to work out the tax credit relief available against your income and your capital gains.

It is divided into 2 parts:

- PART A:** contains instructions and a working sheet to tell you what figure to put in box 6.9 on your Foreign Pages.
- PART B:** provides guidance, instructions and a working sheet to help you decide the figure to put in box 6.10 on your Foreign Pages.

Boxes 6.9 and 6.10 both feed into the working sheet in your Tax Calculation Guide (including Capital Gains and Lump Sums etc.).

### PART A: TAX CREDIT RELIEF WORKING SHEET (TCRWS): INCOME

Use the Working Sheet on page 4 to work out tax credit relief on your income. The instructions on page 2 tell you what to do.

### PART B: TAX CREDIT RELIEF WORKING SHEET (TCRWS): CAPITAL GAINS

Relief by way of credit for foreign tax paid ('tax credit relief') is available, under the terms of a Double Taxation Agreement or unilaterally, against UK Capital Gains Tax chargeable on the same gains.

Alternatively, the foreign tax may be deducted in calculating the gain or loss on a particular disposal (see page CGN16 of the Notes to the Capital Gains Pages). This will only usually be to your advantage, however, where no UK tax is chargeable on a disposal, for example, when a loss results so that there is no UK tax against which the foreign tax can be set off.

This Help Sheet will enable you to work out the amount of tax credit relief you can claim. **You will also need to obtain and complete the Foreign Pages.** Ask the Orderline for a copy if you do not already have these.

#### General principles

- The amount of credit for foreign tax is not to exceed the lesser of the foreign tax charged on the gain, and the UK tax chargeable on the doubly taxed (see below) part of the gain.
- If the foreign tax paid exceeds the UK tax on the gain, the excess can neither be deducted from the amount of the gain chargeable to Capital Gains Tax nor can it be repaid.
- The foreign tax is not increased by any indexation allowance.
- **The amount of credit must be calculated separately for each gain.** An excess of foreign tax over the UK tax chargeable on a particular gain cannot be credited against UK tax chargeable on any other gain.

#### Whether a gain is doubly taxed

Because different countries have different rules for determining the amount of a taxable capital gain, the amount chargeable to UK Capital Gains Tax will often be different from the amount of the gain which is charged to tax in the foreign country. It might therefore be the case that only part of a particular gain is regarded as doubly taxed in the UK and the foreign country. In those circumstances, the amount of foreign tax eligible for relief needs to be restricted. The flowchart on page 7 of this Help Sheet will help you to calculate the amount of foreign tax eligible for credit relief.

#### Method

- Step 1** Make sure that you have completed Pages CG1, CG2 and CG3 of the Capital Gains Pages and boxes F1 to F59 of the Tax Calculation Working Sheet.
- Step 2** Complete Page F3 of the Foreign Pages to show the amount of each gain in respect of which you are claiming tax credit relief; the period over which the UK chargeable gain accrued; the amount of the gain under the foreign country's tax rules; the period over which the foreign gain accrued and the amount of the foreign tax paid.
- Step 3** Use the flowchart on page 7 of this Help Sheet to calculate the amount of foreign tax paid which is available for credit against your UK Capital Gains Tax liability.
- Step 4** Calculate separately the UK Capital Gains Tax chargeable in respect of each gain on which you have paid foreign tax and for which you are claiming credit. Use the working sheet on page 8 of this Help Sheet to help you do this.
- Step 5** Compare the UK Capital Gains Tax chargeable on each gain with the amount of foreign tax eligible for credit. The relief you can claim is the **lower** of the two amounts. Copy the total relief due to box 6.10 of the Foreign Pages and box F60B of the Tax Calculation Working Sheet.

## PART A: TAX CREDIT RELIEF WORKING SHEET (TCRWS) (LUMP SUMS AND CAPITAL GAINS): INCOME

These instructions tell you how to fill in the Tax Credit Relief Working Sheet on pages 4 and 5. References in the following notes are to the Working Sheet in the Tax Calculation Guide (including Capital Gain and Lump Sum etc).

You only need to complete the Tax Credit Relief Working Sheet if you want to work out your own 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 4 and 5.

Before beginning to fill in the Tax Credit Relief Working Sheet make sure that you have completed the Tax Calculation Working Sheet as far as box F66.

**box TC1** If you are completing your first TCRWS, enter in box TC1 the figure from box F21 in your Tax Calculation Working Sheet. Otherwise, copy the figure from box TC5 of the last TCRWS (including Capital Gain and Lump Sum etc) that you completed.

**box TC2** 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 TC2 the amount of income chargeable to UK tax, as shown in column E.

**box TC4** Look at boxes F13 to F19 in your Tax Calculation Working Sheet. If any of the deductions from income which you have claimed there relate specifically to, and depend upon the amount of, the item of income shown at box TC2, enter in box TC4 the amount of the deductions which are attributable to that item of income.

### Example

Pat is 34 and his business profits of £12,000 include £4,000 which has suffered foreign tax. Pat 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 less £1,400 = £400. This is the figure to enter in box TC4.

**box TC6** Copy the figure from box F23 in your Tax Calculation Guide.

**box TC8** If you were born on or after 6 April 1934, copy the figure from box F25.6 of your Tax Calculation Working Sheet to box TC8.

If you were born before 6 April 1934, you need to work out the personal allowances to which you would be entitled if your income was the amount shown in box TC5 above rather than that shown in box F21 of your Calculation Working Sheet. Refer to page 6 of your Tax Calculation Guide and recalculate the figure of age-related personal allowances due based on the figure in box TC5 above. Enter the result in box TC8.

**box TC10** Enter in box TC10 the lower of box TC9, and boxes  $12.8 + 12.12 + 7.18 + (\text{box } 6.7 \times 100/23)$ . Exclude any amounts which have appeared in box TC2 of this or any previous TCRWS.

**box TC12** Enter in box TC12 the total of boxes 10.23, 10.26, 10.29, 10.32 plus  $(4.78 \times 100/20)$ , 7.15 and 3L.39. Exclude any accounts which have appeared in box TC2 of this or any previous TCRWS.

**box TC15** Enter in box TC15 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, 4.35 and 4.70 **minus**  $(4.78 \times 100/20)$ . Exclude any amounts which have appeared in box TC2 of this or any previous TCRWS.

**box TC18** Enter in box TC18 the total of boxes 12.5, 12.8, 12.12, 1.29, 1M45, 6.8, 7.18, TC12 and TC15. Exclude any amounts which have appeared in box TC2 of this or any previous TCRWS.

**box TC29** Use the following boxes to work out the figure to put in box TC29.

Non savings income (apart from gains on life policies etc. and certain lump sum and compensation payments) from boxes TC21 + TC25 + 7.18 + 12.12.

**TC29.1** £

Is TC29.1 £4,300 or more?

If YES

**boxes TC21 + TC24 + TC25**  
**TC29.2** £

**box TC24 + £4,300**  
**TC29.3** £

Enter at TC29.7 the greater of boxes TC29.2 and TC29.3 and do not complete TC29.4 to TC29.6.

OTHERWISE  
add box TC29.1 + savings income

**boxes TC29.1 + TC13 + TC16**  
**TC29.4** £

Is the figure in box TC29.4 £4,300 or more?

If yes  
enter the figure in box TC29.5  
at TC29.7. Leave TC29.6 blank.

**box TC24 + £4,300**  
**TC29.5** £

If no  
enter at TC29.7 the figure in TC29.6.

**box TC29.4 + F41**  
**TC29.6** £

from TC29.2 or TC29.3 or  
TC29.5 or TC29.6

**TC29.7** £

Copy the figure in box TC29.7 to box TC29.

**box TC44** 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 TC3 above. Use the Working Sheet attached to the TCRWS for this purpose (ask the Orderline for extra copies if you are claiming tax credit relief in respect of more than one item of foreign income). Enter the reworked amount of Top Slicing Relief (box TSR14) in box TC44.

**box TC48** If this is the first TCRWS (including Capital Gains and Lump Sums etc.) you are completing, enter the figure from box F60 of your Tax Calculation Working Sheet **minus** the total of the amounts at boxes F61, F63, F65 and F66.

Otherwise, enter the figure from box TC47 of the last TCRWS (including Capital Gains and Lump Sum etc) you completed. This is the Income Tax (before tax credit relief) chargeable on the income shown at box TC1 above.

**box TC49** Subtract the figure in box TC47 from that in box TC48 and enter the result in box TC49.

This is the amount of Income Tax at your marginal rate on the item of income entered in box TC2.

**box TC50** Enter the amount of foreign tax paid on the item of income at box TC2 above (from the appropriate line in Column D of the Foreign Pages).

**box TC51** Enter the lower of the figure in boxes TC49 and TC50.

This is the amount of tax credit relief allowable in respect of the income at box TC2 above.

**Now complete another TCRWS for your next item of foreign income. Otherwise, add up the figures in box TC51 of each TCRWS and put the total in box 6.9 in your Foreign Pages. Copy that figure to box F67 of your Tax Calculation Working Sheet.**

## Tax Credit Relief Working Sheet (TCRWS) (including Capital Gains and Lump Sums etc.)

|   |   |  |   |                          |  |
|---|---|--|---|--------------------------|--|
| Income less deductions  | see notes<br>TC1 £  |  |   |                          |  |
| Item of income which has suffered the highest rate of foreign tax | see notes<br>TC2 £  | box TC1 minus box TC2<br>TC3 £   |   |                          |  |
| Deductions specifically related to the income at box TC2          | see notes<br>TC4 £  | box TC3 + box TC4<br>TC5 £   |   |                          |  |
| Deductions for which tax relief is given at source                | see notes<br>TC6 £  | box TC5 + box TC6<br>TC7 £   |   |                          |  |
|   |   | see notes<br>TC8 £   | box TC7 minus box TC8<br>TC9 £  | see notes<br>TC10 £      |  |
|   | box TC9 minus box TC10<br>TC11 £  |  | <i>If the figure in box TC9 is zero do not complete boxes TC12 to TC27 and enter zero in box TC43</i>                             |                          |  |
|   | see notes<br>TC12 £   | lower of box TC11 and TC12<br>TC13 £   | box TC11 minus box TC13<br>TC14 £   |                          |  |
|   |   |  | <i>If the figure in box TC14 is zero, enter zero in boxes TC15, TC16, TC21, TC24 and TC25. Do not complete boxes TC15 to TC23</i> |                          |  |
|   | see notes for box TC15<br>TC15 £  | lower of box TC14 or TC15<br>TC16 £  | box TC14 minus box TC16<br>TC17 £   |                          |  |
|   |   |  | <i>If the figure in box TC17 is zero enter zero in boxes TC21, TC24 and TC25. Do not complete boxes TC18 to TC23</i>              |                          |  |
|   | see notes for box TC18<br>TC18 £  | from box TC3<br>TC19 £   | box TC19 minus box TC18<br>TC20 £   |                          |  |
|   |   |  | <i>If the figure in box TC20 is zero enter zero in boxes TC21, TC24 and TC25. Do not complete boxes TC22 and TC23</i>             |                          |  |
|   | smallest of £4,300 or box TC20 or TC17<br>TC21 £  | box TC17 minus box TC21<br>TC22 £  |   |                          |  |
|   |   | <i>If the figure in box TC22 is zero enter zero in boxes TC24 and TC25. Do not complete box TC23</i> |   |                          |  |
|   | boxes 1.29 + 1M45 + 12.5 + 6.8 minus (box 6.7 x <sup>100</sup> /23)<br>TC23 £                           | lower of box TC22 or TC23<br>TC24 £  | box TC22 minus box TC24<br>TC25 £   |                          |  |
|   |   |  | boxes TC13 + TC16 + TC21 + TC24 + TC25<br>TC26 £  | box TC26 x 20%<br>TC27 £ |  |
|   |   |  | <i>If the figure in box TC9 is £4,300 or less go to box TC43. Do not complete boxes TC29 to TC42</i>                              |                          |  |
|   | see notes<br>TC29 £   | box TC9 minus (box TC6 + box 12.9)<br>TC33 £   | box TC29 minus TC30<br>TC31 £   | box TC10 x 23%<br>TC28 £ |  |
|   |   |  |   | box TC31 x 3%<br>TC32 £  |  |
|   |   | TC30 £ 4,300   |   |                          |  |
|   | <i>If the figure in box TC33 is £27,100 or less go to box TC43. Do not complete boxes TC35 to TC42.</i> |  |   |                          |  |

**Tax Credit Relief Working Sheet (TCRWS) ( including Capital Gains and Lump Sums etc) – continued**

TC34 £ 27,100

*If the figures in boxes F30 and F33 are Zero go straight to box F60. Do not complete boxes F54 to F59.*

box TC33 minus TC34  
TC35 £

TC35 x 17%  
TC36 £

boxes TC13 + TC16  
TC37 £

boxes TC21 + TC25 + TC37 + 7.18 + 12.12  
TC38 £

£27,100 + box TC6 + box 12.9  
TC39 £

box TC38 minus TC39  
TC40 £

lower of box TC37 or TC40  
TC41 £

TC41 x 3%  
TC42 £

**Income Tax due**

boxes TC27 + TC28 + TC32 + TC36 + TC42  
TC43 £

Top Slicing Relief

see notes  
TC44 £

Other Reliefs (except Tax Credit Relief) allowed in terms of tax

boxes F63 + F65 + F66  
TC45 £

boxes TC44 + TC45  
TC46 £

TC43 minus TC46  
TC47 £

Income Tax due (before Tax Credit Relief) on income at box TC1

see notes  
TC48 £

Income Tax due on income at box TC2

box TC48 minus TC47  
TC49 £

Foreign Tax Paid on income at box TC2

from Column D  
TC50 £

Tax Credit Relief Due against UK tax payable on item of income at box TC2

lower of boxes TC49 and TC50  
TC51 £

Now complete another TCRWS for your next item of income. Otherwise, add up the figures in box TC51 in each TCRWS and enter the total at box 6.9 of your Foreign Pages.

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

*Do not complete this working sheet if you are not liable to higher rate tax (box TSR1 is £27,100 or less)*

box TC33 *minus*  
(boxes 1.29 + 5.22)

TSR1 £

## Chargeable event gains

from boxes 6.8, 12.5 + 12.8

TSR2 £

box TSR1 *minus* box TSR2

TSR3 £

*If the figure in box TSR3 is £27,100 or more, no Top Slicing Relief is due. Enter '0' in boxes TC44 and F61. If the figure in box TSR3 is less than £27,100 fill in the boxes below.*

Page 15 of your 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 box 6.8 + 12.5 + 12.8

A

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box TSR3 + box 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*

box TSR8 x box TSR2

TSR10 £

(TSR1 *minus* TSR6) x 17%

TSR12 £

from box TSR9 or TSR11

TSR13 £

### Number of years

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

B

|  |
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|  |
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|  |

TSR6 £

TSR5 *minus* TSR6 (enter '0' if the amount is negative)

TSR7 £

TSR10 divided by TSR4

TSR11 £

*Complete boxes TSR12 to TSR14 in all cases*

A divided by B

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Total column above

TSR4 £

TSR7 x 17%

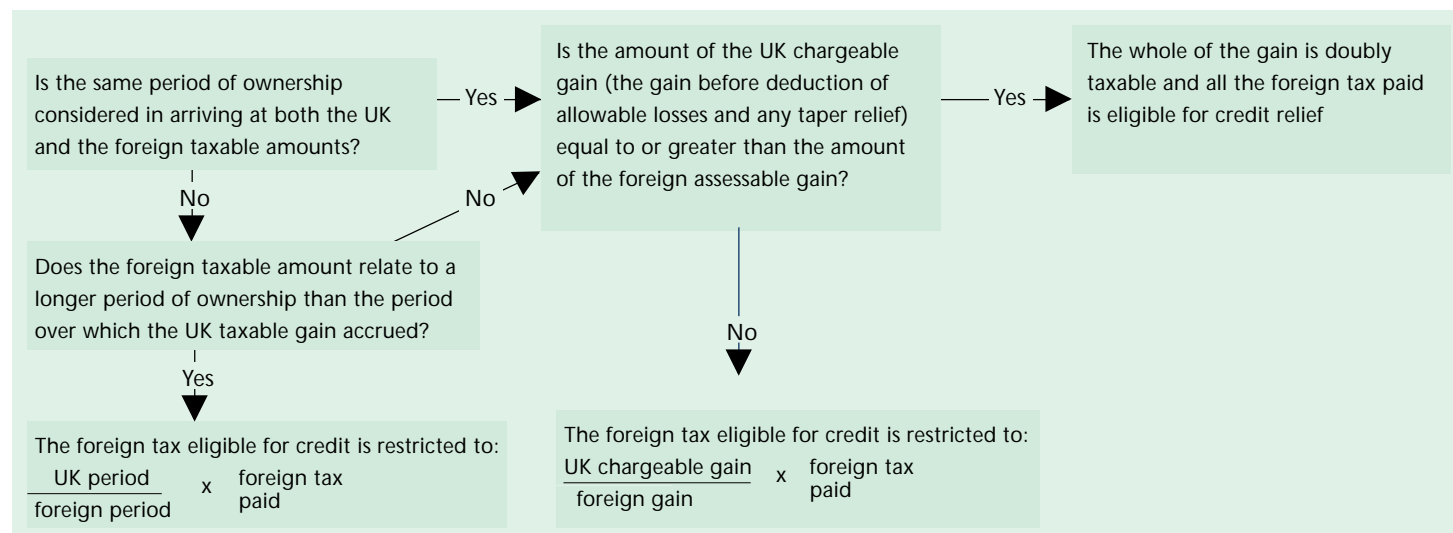
TSR8 £

TSR12 *minus* TSR13

TSR14 £

*Copy to box TC44 of the TCRWS*

**PART B: COMPLETING THE TAX CREDIT RELIEF WORKING SHEET FOR CAPITAL GAINS**



**Column A (lines 1-16)**

You should enter in rows 1 - 10 of column A details of your tapered chargeable gains and any gains attributed to you as settlor or beneficiary of a settlement. Your tapered gains are those after all allowable losses have been set off and where appropriate taper relief has been applied. You can find details of all of the gains to enter in column N on Page CG3 of your Capital Gains Pages. For information on Taper relief see the Notes to the Capital Gains Pages, page CGN15, and *Help Sheet IR279: Taper relief*.

Enter in rows 13 to 16 the figures as indicated from the appropriate boxes of your Tax Calculation Working Sheet.

**Columns B and C (lines 1-16)**

Use these columns to analyse the overall figures shown in column A.

Enter in column B the amounts corresponding to gains chargeable to UK Capital Gains Tax in respect of which you are not claiming tax credit relief, that is, any UK gains and any foreign gains that have either not been subject to any foreign tax or where the foreign tax paid has been deducted in computing the amount of the gain that is chargeable to UK tax - see page 1 of the Help Sheet.

Enter in column C (i) to (iii) individual gains that have been subject to foreign tax for which you are claiming tax credit relief. If you have more than three such gains, photocopy page 8 before making any entries.

When entering details of the annual exempt amount (line 11) and the amounts chargeable at the different rates of tax (lines 13 to 15), you should allocate the annual exempt amount and rate bands first against any gains in column B and then against gains in column C, beginning with the item that has been subjected to the lowest effective rate of foreign tax.

**Column C (line 17)**

Enter the respective amounts of foreign tax eligible for tax credit relief from column D of Page F3 of the Foreign Pages.

**Column C (line 18)**

For each separate column, enter the lower of the figures at lines 16 and 17.

**Column A (line 18)**

Add up all the figures in column C, line 18, and enter the total in column A. This is the total tax credit relief allowable for the year. Copy this figure to box 6.10 in your Foreign Pages and box F60B in the Tax Calculation Working Sheet in your Tax Calculation Guide (including Capital Gains and Lump Sums etc.).

**Example 2**

You have gains after losses and taper relief of £32,000; consisting of UK gains of £15,000, Country A gains of £10,000 (foreign tax paid at 35%) and Country B gains of £7,000 (foreign tax paid at 40%). You are liable to Capital Gains Tax, after deducting the annual exempt amount of £6,800, on £25,200 of the gains. Your Tax Calculation Working Sheet shows the gains as being charged partly at the basic rate (23% - £12,000) and partly at the higher rate (40% - £13,200).

To maximize your foreign tax credits you would allocate your gains to the tax rate bands as follows:

|  | Column A | Column B | Column C (i) | Column C (ii) |
|--|----------|----------|--------------|---------------|
| Gains                                  | 32,000   | 15,000   | 10,000       | 7,000         |
| minus annual exempt amount             | 6,800    | 6,800    |              |               |
| <i>equals net taxable gains</i>        | 25,200   | 8,200    | 10,000       | 7,000         |
| Gains chargeable at:                   |          |          |              |               |
| 20%                                    | -        |          | -            | -             |
| 23%                                    | 12,000   | 8,200    | 3,800        | -             |
| 40%                                    | 13,200   |          | 6,200        | 7,000         |
| Capital Gains Tax chargeable           | 8,040    |          | 3,354        | 2,800         |
| Foreign tax eligible for credit relief |          |          | 3,500        | 2,800         |
| Tax credit relief allowable            | 6,154    |          | 3,354        | 2,800         |

**Capital Gains Tax – Tax Credit Relief Working Sheet (including Capital Gains and Lump Sums etc.)**

| Insert in rows 1 to 10 below details of tapered gains and attributed gains from column N on Page CG3 of your Capital Gains Pages | Total gains in respect of which no TCR is claimed | Items of gains in respect of which relief is claimed by way of foreign credit |                          |                           |
|--|---|---|--------------------------|---------------------------|
|  |   | Foreign gain 1<br>C (i)   | Foreign gain 2<br>C (ii) | Foreign gain 3<br>C (iii) |
| A  | B   |   |                          |                           |
| 1. £   |   |   |                          |                           |
| 2. £   |   |   |                          |                           |
| 3. £   |   |   |                          |                           |
| 4. £   |   |   |                          |                           |
| 5. £   |   |   |                          |                           |
| 6. £   |   |   |                          |                           |
| 7. £   |   |   |                          |                           |
| 8. £   |   |   |                          |                           |
| 9. £   |   |   |                          |                           |
| 10. £  |   |   |                          |                           |
| 11. <i>Minus</i> annual exempt amount  | £ <i>6,800</i>                                    | £   | £                        | £                         |
| 12. <i>Equals</i> net taxable gains (from box 8.8)   | £   | £   | £                        | £                         |

|  |   |   |   |   |   |
|--|---|---|---|---|---|
| 13. Gains chargeable at 20% (from box F49D)  | £ | £ | £ | £ | £ |
| 14. Gains chargeable at 23%<br>(box F53A + box C of Working Sheet for box F53D)            | £ | £ | £ | £ | £ |
| 15. Gains chargeable at 40% (box F53B <i>minus</i><br>box C of Working Sheet for box F53D) | £ | £ | £ | £ | £ |
| 16. Capital Gains Tax chargeable<br>(box F44A + box F49G + (box F53C or box F53D))         | £ | £ | £ | £ | £ |

|  |                                  |   |   |   |
|--|----------------------------------|---|---|---|
| 17. Foreign tax eligible for credit relief |                                  | £ | £ | £ |
| 18. Tax Credit Relief allowable.           | Copy to boxes 6.10 and F60B<br>£ |   | £ | £ |

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