

These *notes* will help you to complete the *Legislative Assembly* pages of your Tax Return. The *Legislative Assembly* pages cover only your Legislative Assembly income; make sure you also complete any other pages appropriate to your circumstances.

Gather together the material you need, for example:

- your P60, a Finance Office form showing pay and tax details for the year
- your PAYE Notices of Coding for 2007-08 and 2008-09
- a form P11D or equivalent statement from the Finance Office giving details of any benefits and expenses you have received in the year
- receipts for any allowable expenses you have incurred
- any of the Help Sheets you think you need.

The word 'office' is used in these notes to include the office held as a Member of the Legislative Assembly and as a Member of the Legislative Assembly and Minister. Also 'P11D' means P11D, P9D or equivalent information.

If you were in office on 5 April 2008

Your P60 should show the total pay and tax from your office (as well as from previous employments during the year). Your P45 (Part 1A) should, if you had one, also show pay from previous employments. Do not include in the *Legislative Assembly* pages any amounts on your P60, or P45 (Part 1A) relating to employment other than from your office of Legislative Assembly Member or Minister.

If you were a Member of the Legislative Assembly

Fill in **one** copy of the *Legislative Assembly* pages.

If you changed Assembly office during the year

Fill in a **separate** copy of the *Legislative Assembly* pages for each office from which you received any income in the year ended 5 April 2008.

Income from office

1

Payments from P60 (or P45 or payslips) – before tax was taken off

Enter the money you received as a Member of the Legislative Assembly or as a Minister.

Your P60 will show figures for pay and tax from the office you held at 5 April 2008. If you had more than one office the form may also include a second set of pay and tax details for your previous offices. The details will be added together in the figures on your P60.

You may need to refer to other records (such as payslips, forms P45 (Part 1A), or statements of taxable benefit) to work out the figures for pay from the earlier offices to go in each copy of the *Legislative Assembly* pages you complete (one for each office).

If you were unemployed during the year, your P60 figure will include any Jobseeker's Allowance or Incapacity Benefit you received. Do not include these in the *Legislative Assembly* pages (or any copies of the *Employment* pages that you fill in). Instead you should enter any Jobseeker's Allowance in box 14 and any taxable Incapacity Benefit in boxes 12 and 13 on page TR 3 of your Tax Return.

Some of the more common items to include are explained in the 'Money payments' section below. If you received an item or payment in connection

with your office and are not sure whether to include it, ask us or your tax adviser for advice.

General rule

Include in box 1 all the income you received as a Legislative Assembly Member or Minister in the year to 5 April 2008, even if you earned it in an earlier tax year or you have been paid for work not yet done.

Treat this income as if you received it on the earlier of:

- the date when the payment, or payment on account, was made, or
- the date you became entitled to be paid.

This is so even if you were not paid until later, or received no actual payment because you arranged for the sum due to you to be applied in some other way instead.

Money payments

For every item you must enter the amount **before** deducting any expenses you wish to claim.

Money payments you **should** include in box 1 are:

- your salary as a Legislative Assembly Member or Minister
- Statutory Sick Pay, Statutory Maternity Pay, Statutory Paternity Pay and Statutory Adoption Pay except when paid by the SSA
- payments from third parties where the payment is made as a reward for services given, or yet to be given, in your capacity as a Legislative Assembly Member or Minister.

Items you **should not** include in box 1 are:

- benefits and expenses payments received - these go in boxes 3 to 7
- lump sums paid in connection with termination of office, retirement or death. Enter these in boxes 3 to 9 of the 'Shares schemes etc.' section on page Ai 2 of the *Additional information* pages
- payments made to the Assembly Pension Scheme.

If you have received a lump sum payment, for example a Resettlement Grant which was taxed and included on your P45, and which you have entered in the lump sum boxes on your Tax Return, make sure you deduct it from the figure you enter in box 1.

2

Tax taken off box 1

Enter in box 2 any tax taken off the amounts entered in box 1.

The tax taken off will be shown on your form P60 or P45(Part 1A). Enter this figure in box 2 even if you had to complete boxes 3 to 9 of the 'Shares schemes etc.' section on page Ai 2 of the *Additional information* pages to make an adjustment in box 1.

Benefits from your office

The Finance Office send us details of all benefits and taxable expenses you received by reason of your office. They will also give you this information.

The details you get will not include any items for which the Finance Office has a dispensation. You do not need to refer to these items. (A dispensation is an arrangement the Finance Office may have made with us. It saves you the trouble of including as income a benefit or expenses payment you receive as an Assembly Member or Minister and then making a matching claim for the allowable expenses you incur.)

Excess mileage allowances – using your own transport for Legislative Assembly business

If you are paid an allowance for using your own transport, on Legislative Assembly business journeys, the rates paid by the Finance Office exceed the statutory exemption for approved mileage allowance rates. The excess sum is taxable and will be included on the form P60.

3 Office Costs Allowance – *non-capital items*

Payments you receive from the Finance Office to reimburse you for expenses you incur, in the performance of your duties as a Legislative Assembly Member or Minister on running an office or on secretarial and research assistance, are all taxable. (Claim any expenses allowable for tax purposes by filling in boxes 8 to 10.)

The Finance Office should provide you with details. Enter in box 3 the amount reimbursed or paid to you, or on your behalf. Do not include in box 3 any amounts for the purchase of office equipment as this is capital – use box 4 for these instead.

Examples of sums to be included in box 3 are those you receive which cover:

- day to day office expenses – like heating, lighting, telephone, post, stationery
- secretarial and research assistance – salary, employer's National Insurance contributions, payments to casual assistants.

4 Office Costs Allowance – *capital items*

Under the Office Costs Allowance rules, the Finance Office can reimburse you the cost of office equipment such as a personal computer or mobile telephone. You are taxable on these reimbursed sums. The Finance Office should provide you with details. Enter the total in box 4. (If you want to claim capital allowances fill in box 10.)

5 Other cash reimbursements

Enter in box 5 any reimbursements made to you by the Finance Office for vehicle hire costs, taxi fares or any taxable reimbursement not entered elsewhere in these pages. Claim tax relief for these payments in boxes 8 to 10.

6 All other benefits

The Finance Office should have given you details of other benefits. Those mentioned in boxes 3 to 5 are the most common. Enter in box 6 the total cash equivalent of any other benefits you receive as a Legislative Assembly Member or Minister that you have not included elsewhere, for example, in boxes 3 to 5.

Cash equivalents of other benefits

Cash equivalents are arrived at in different ways, according to the type of benefit.

Assets (other than land and motor vehicles) provided for private use

Where the asset has been available throughout the year the cash equivalent will generally be based on:

- 20% of its market value when it was first used to provide a benefit, plus
- expenses (other than the cost of acquiring it) incurred in connection with it which would not have been incurred but for the provision of the benefit.

If that total represents benefits provided for more than one Member the cash equivalent for each will be based on a proportion of the whole amount. It is reduced by any amount made good to the provider in return for the benefit. For more information, ask us or your tax adviser.

All other benefits

The cash equivalent is generally what the benefit cost the person who provided it (minus any amount made good to the provider). If that amount represents benefits provided for more than one Member, the cash equivalent for each is a proportion of the whole amount. For more information see booklet 480 *Expenses and benefits - A Tax Guide* available from the Orderline.

Make sure you include in box 6 the benefit of a car, or car and fuel, made available to you by reason of your office as a Legislative Assembly Member. Do not include benefits from any non-Assembly office or employment. Enter these on the *Employment* page of your Tax Return.

Some of the more common benefits are listed in the Working Sheet below to help you arrive at a total for box 6.

Working Sheet for box 6

| | |
|---|-----|
| Assets provided for private use | £ |
| Home telephone(s) | £ |
| Subscriptions and professional fees | £ |
| Goods or services provided | £ |
| Employer supported childcare (in some circumstances this benefit is not chargeable - see booklet 480) | £ |
| Educational assistance provided (in some circumstances this benefit is not chargeable - see booklet 480) | £ |
| All other benefits | £ |
| Total | A £ |

Copy the figure in box A to box 6 in the Legislative Assembly pages

7

Balancing charges

When the Finance Office reimburses you, or pays on your behalf, the cost of buying office equipment, the sums are taxable.

You can claim tax relief for the annual depreciation of equipment which you need to use in carrying out your duties. This relief is called 'capital allowances'.

Sometimes, when you sell or give away an item of equipment, some of the capital allowances you have had will be recovered. This is called a 'balancing charge'.

A detailed explanation of how 'capital allowances' and 'balancing charges' are worked out is given in these notes in the section 'What are capital allowances and balancing charges' which begins on page MLAN 6. If you need further guidance, ask us or your tax adviser.

Office expenses paid out by you

This section explains the rules for claiming expenses necessarily incurred in performing your duties as a Legislative Assembly Member or Minister. Please note that the Finance Office may make payments for you, which are not tax deductible.

Dispensations

Do not include in your claim any expenses which you have paid if:

- you can claim them back from the Finance Office, and
- the expenses are covered by a dispensation.

(If you are uncertain whether the Finance Office has a dispensation you should ask for details. Also see the section headed 'Benefits from your office' starting on page MLAN 2.)

However, if you have incurred allowable expenditure over and above the amount covered by the dispensation you may be entitled to claim a deduction for the excess.

8 Secretarial and clerical, and research assistance

You can claim the expense of employing secretarial, clerical and research assistants when necessarily incurred in performing your duties as a Legislative Assembly Member or Minister. The claim will usually equal the amount of your Office Costs Allowance used for these staff expenses. The Finance Office will provide you with details.

The figure should include payments you made from your own funds and those notified to you by the Finance Office.

The total expenses cannot exceed the income from your office including payments notified to you by the Finance Office.

9 Office expenses

Enter in box 9 the total spent during the year on the day to day running of your office, for example, on heating, lighting, telephone, post and stationery. The figure will often correspond to the amounts that have been paid to you or on your behalf by the Finance Office for those sort of items. They will give you details.

If, during the year, you have paid amounts other than through the Finance Office, put the total of these amounts in box 9.

10 Other expenses and capital allowances

Enter in box 10 the total amount of any other expenses and capital allowances.

Other expenses

You can claim only those expenses which each and every Legislative Assembly Member or Minister would have to meet. The expenses have to be incurred in actually carrying out the official duties. Expenses that might put you in a position to do your official duties, rather than actually doing them, are not allowable.

Most of the expenses which you can claim have been covered earlier. However, you may be able to claim for other expenses you incur in the performance of your duties, for example, payments you have entered in box 5 and which meet the qualifying conditions for tax relief. You may have agreed claims with us on other items in the past. If so, you should work out the amount of allowable expenses on the agreed basis. If you are uncertain about what you may be entitled to claim you should ask us for help **before** filling in box 10.

Capital allowances

Capital allowances will usually be available on the capital cost to you of equipment you have to provide to carry out your duties as a Legislative Assembly Member or Minister. The section overleaf tells you how to work them out.

If during the year you start or stop using an item, for your duties as a Legislative Assembly Member or Minister, work out the capital allowances as if you had bought or sold it on that date using the market value at the time.

What are capital allowances and balancing charges?

This section tells you how to work out your capital allowances and balancing charges that go in boxes 10 and 7 of the *Legislative Assembly* pages. The examples on pages MLAN 14 and 15 show you what to do.

Capital allowances are a deduction from your taxable income. They are an allowance for the depreciation of assets or equipment that you have to provide to carry out your duties as a Legislative Assembly Member or Minister. Include capital allowances in box 10.

You cannot claim capital allowances for a car, motorcycle or cycle - the approved mileage allowance rates include an element for depreciation.

Balancing charges are an addition to your taxable income. They sometimes arise when you sell assets or equipment on which you previously claimed capital allowances, or if you stop using them for your official duties as a Legislative Assembly Member or Minister. Enter any balancing charges in box 7.

Which expenses qualify

Capital allowances will normally be available on the cost to you of assets or equipment it is necessary for you to provide in carrying out your duties as a Legislative Assembly Member or Minister. Generally speaking, anything you use in your official duties that has a useful life of at least two years may qualify for an allowance. Typical examples are office equipment such as desks and filing cabinets.

Assets and equipment are regarded as 'necessary' if you could not do your official duties without them. They must be things that each and every Legislative Assembly Member or Minister would have to provide.

How are capital allowances calculated?

For 2007-08 there are two kinds of capital allowances:

- 'first year allowances' can be claimed on the cost of assets and equipment bought in 2007-08
- 'writing down allowances' can be claimed
 - on the cost of assets and equipment which you acquired in 2007-08 and on which you have not claimed first year allowances, and
 - on the value brought forward (the 'written down value') of items on which you claimed capital allowances for 2006-07.

First year allowances

Provided that you continued in office after 5 April 2008 you can claim a first year allowance at the 50% rate on the cost of assets and equipment bought in 2007-08.

If the asset is used only partly for your official duties the first year allowance is reduced accordingly.

Example 1

On 6 October 2007 Jane becomes a Member and has to spend £600 on a computer to enable her to carry out her official duties. She uses the computer 10% for private purposes and 90% for official duties. Jane claims a first year allowance for 2007-08 as follows:

| | |
|---|-------------|
| Cost of computer | £600 |
| First year allowance (50%) | £300 |
| Allowance due = business proportion (90% x £300) | £270 |
| (Value to carry forward to 2008-09 (£600 - £300)) | £300) |

Note: the full 50% first year allowance is due (subject to the restriction for private use) even though Jane's Membership started part way through the tax year.

If the asset is used wholly for official duties, the value carried forward should be included in the 'pool' of assets and equipment on which writing down allowances will be claimed for 2008-09 onwards (see the notes on Working Sheet 2 on page MLAN 9).

If the asset is used only partly for official duties, the asset stays out of the pool and writing down allowances for 2008-09 onwards will be calculated separately (see the notes on Working Sheet 3 on page MLAN 10).

First year allowances - other points to note

- You do not have to claim first year allowances. If you wish, you can claim writing down allowances instead. You can also claim first year allowances on part of the qualifying expenditure and writing down allowances on the rest.
- Provided that you continued in office after 5 April 2008, you can claim a first year allowance for 2007-08 even if you sell the items in question on or before 5 April 2008. In that case, any unrelieved balance (£300, in Example 1 above) does not have to be carried forward in full to 2008-09. You can take it into account in calculating a writing down allowance (or balancing allowance) for 2007-08 (see notes on Working Sheets 2, 4 and 5).

If you continued in office after 5 April 2008, use Working Sheet 1 to calculate your first year allowance for assets or equipment bought in 2007-08. If you want to claim first year allowance for more than one item:

- all the items that you use **wholly** for official duties can be included on the **same** Working Sheet
- **each** item that you use only **partly** for official duties must be entered on a **separate** copy of Working Sheet 1.

Working Sheet 1

Cost of item(s) bought in 2007-08

A £

First year allowance due *box A x 50%*

B £

Business use proportion of box B (see Note 1)

C £

Copy the figure in box C to box 10

Value to carry forward (see Note 2)

D £

Keep for next year's Legislative Assembly pages

Note 1: if the asset is used wholly for official duties, the figures in boxes B and C will be the same.

Note 2: if the asset is used wholly for official duties, the value carried forward will

be included in your 'pool' for 2008-09 (there is more about pooling in the notes about writing down allowances). If the asset is used only partly for official duties the value stays out of the pool and writing down allowances for 2008-09 will be calculated separately.

Writing down allowances

Except where first year allowances have been claimed (see pages MLAN 6 and MLAN 7), the cost of assets or equipment that you use wholly for your official duties is added together to form a 'pool' of allowable expenditure. Writing down allowances are given for each tax year for which you continue to hold office at a rate of 25% of the unrelieved expenditure in the 'pool' at the end of the year (see Working Sheet 2).

Some items must be kept out of the pool, and you have to work out a separate capital allowance (or balancing charge) for each item. Those that require a separate calculation are:

- any assets or equipment that you use only partly for your official duties
- any assets or equipment on which you have made an election for 'short life asset' treatment (see page MLAN 12).

Time apportionment (writing down allowances only)

If you became a Member during the tax year the writing down allowances for the first year must be apportioned on a time basis. For example, if you became a Member on 6 June you would claim $\frac{10}{12}$ ths of the 25% allowance.

If you buy an asset or an item of equipment *part way* through the tax year you are still entitled to the full 25% writing down allowance as long as you were in the same office throughout that year.

Items used only partly for official duties

If you use the item only partly for your official duties the 25% writing down allowance is reduced in proportion to the amount of business use. For example, if a particular item was used three quarters of the time for official business and one quarter privately, you would claim three quarters of the 25% allowance.

Writing down allowances: 'pool' of assets and equipment used wholly for official duties

Use Working Sheet 2 to calculate your writing down allowance for assets or equipment that you use wholly for official duties (but not 'short life assets') and if you continued in office after the end of the tax year. If you ceased to be a Member during the year, use Working Sheet 4 instead.

The calculation in Working Sheet 2 is based on the 'pool' of unrelieved expenditure at the end of the year. This is made up of:

- any balance of unrelieved expenditure brought forward from 2006-07 plus
- the cost (including VAT) of any additional items bought in 2007-08 on which you have not claimed a first year allowance, minus
- the proceeds (sale or market value) from any equipment that you disposed of in 2007-08.

The writing down allowance due is 25% of the value of the 'pool' at the end of the year (calculated as above).

If during the year you start or stop using an item of equipment for your official duties, without actually buying or selling it, writing down allowances are calculated as if you had bought or sold the item on the date when you started or stopped using it. The amount used in the calculation of your allowances for such items is the 'market value' of the item at the date when you started or stopped using it for your official duties. That is, the amount that you could have got for it

if you had sold it in the open market on that date.

If you have to use a 'market value' figure, say how you arrived at it in the 'Any other information' box, box 11 on page MLA 2 of your *Legislative Assembly* pages.

If you continued in office after the end of the tax year, use Working Sheet 2 to calculate your writing down allowance on items for which a first year allowance has not been claimed. If you ceased to be a Member in the year, use Working Sheet 4 instead.

Working Sheet 2

Pool value brought forward from 2006-07

 £

Cost of assets or equipment bought in 2007-08 (or market value, if you started using for official duties an item bought in an earlier year), see Note 1

 £

Sales proceeds of items sold in year (or market value of items that you stopped using for official duties without selling them), see Note 2. If the sale proceeds or value of any item are more than the original cost of that item, see Note 3

 £

If C is more than A + B do not use this Working Sheet. Use Working Sheet 4

Value available for allowances *box A + box B minus box C*

 £

Writing down allowances due *box D x 25%*

 £

Copy the figure in box E to box 10

Pool value carried forward *box D minus box E*

 £

Keep for next year's Legislative Assembly pages

Note 1: if an item on which you have claimed a first year allowance in 2007-08 is sold on or before 5 April 2008, and if you have used it solely for your official duties, deduct the first year allowance from the original cost and add the balance to your pool for 2007-08.

Note 2: you must include the sale proceeds (if any) of items on which you claimed a first year allowance in 2007-08.

Note 3: if the sale proceeds or value of any item are more than the original cost of that item to you or anybody connected with you, enter the original cost instead. Help Sheet 293 *Chattels and Capital Gains Tax* explains how Capital Gains Tax may apply to these items.

Writing down allowances - other assets and equipment

Use Working Sheet 3 to work out your writing down allowance for any asset or item of equipment that is not included in Working Sheet 2 and on which you did not claim a first year allowance. These may be:

- assets or equipment that you use partly for private purposes
- any asset or equipment on which you have made an election for 'short life asset' treatment (see page MLAN 12).

The cost of these items is not 'pooled'. You have to calculate a separate capital allowance (or balancing charge) for each item.

The calculation follows the pattern of Working Sheet 2, but there is an extra step. See 'Items used only partly for official duties' on page MLAN 8.

Make a separate calculation for each item that is not included in the 'pool' in Working Sheet 2 and which you are still using for your official duties at the end of the tax year, and on which you did not claim a first year allowance in 2007-08.

If, at or before the end of the tax year, you:

- ceased to be a Member, or
 - sold the asset or item of equipment, or
 - stopped using it for your official duties
- use Working Sheet 5 instead.

Working Sheet 3

Value brought forward from 2006-07, or cost if item bought in 2007-08, or market value if you started using for official duties an item bought in an earlier year

| | |
|---|---|
| A | £ |
|---|---|

Writing down allowances (see Note 1) *box A* x 25%

| | |
|---|---|
| B | £ |
|---|---|

Business use proportion of box B (see Note 2)

| | |
|---|---|
| C | £ |
|---|---|

Copy the figure in box C to box 10

Value to carry forward *box A minus box B*

| | |
|---|---|
| D | £ |
|---|---|

Keep for next year's Legislative Assembly pages

Note 1: if you became a Member during the year you must not claim the full 25% allowance. See the note on page MLAN 8 on 'Time apportionment'.

Note 2: if the asset is used wholly for official duties, the figures in boxes B and C will be the same.

Balancing allowances

A 'balancing allowance' is a special kind of capital allowance.

It may be due:

- for assets and equipment in the 'pool' if you ceased to be a Member during the year
- for other asset(s) or item(s) of equipment if during the year
 - you ceased to be a Member, or
 - you sold the item in question, or
 - you stopped using it for your official duties, but did not sell it.

In these cases, the 25% calculation in Working Sheets 2 and 3 does not apply. Instead, the allowance due is:

- the balance of expenditure brought forward from the previous year minus
- the sale proceeds (or market value if you did not sell them) of the item(s) at the date of cessation, or when you stopped using them for your official duties.

Use **Working Sheet 4** to calculate a balancing allowance for items in the 'pool'.

Use **Working Sheet 5** to calculate a balancing allowance for other items (making a separate calculation for each one).

For assets that were used only partly for official duties, the balancing allowance is reduced to the proportion used for official duties as described in the note on page MLAN 8.

If the disposal value is greater than the value brought forward, calculate a balancing charge as described below. Use Working Sheet 4 or 5 for balancing charges as well as balancing allowances.

Balancing charges

A 'balancing charge' is an addition to your taxable income. It arises when the disposal value of an item (or items) is greater than the value brought forward. This can happen:

- if you ceased to be a Member in the year, or
- if an asset is sold, or
- if you stop using an item for your official duties, but do not sell it.

Use **Working Sheet 4** to calculate a balancing charge for items in the 'pool'.

Use **Working Sheet 5** to calculate a balancing charge for other items (making a separate calculation for each one).

You may have capital allowances (or balancing allowances) on some Working Sheets and balancing charges on others. If this happens, do not net them off. Instead, separately enter the amount of the balancing charges in box 7 and the amount of the capital allowances (or balancing allowances) in box 10.

'Pool' assets and equipment: balancing allowances and balancing charges

Use Working Sheet 4 if you ceased as a Member at or before the end of the tax year, or if you used Working Sheet 2 and the amount C is more than amount (A + B).

Working Sheet 4

Pool value brought forward from 2006-07

| | |
|---|---|
| A | £ |
|---|---|

Cost of assets or equipment bought in 2007-08 on which first year allowances have not been claimed (or market value, if you started using for official duties an item bought in an earlier year), see Note 1

| | |
|---|---|
| B | £ |
|---|---|

Sales proceeds of items sold in the year (or market value of items that you stopped using for official duties without selling them), see Note 2. If the sale proceeds or value of any item are more than the original cost of that item, see Note 3

| | |
|---|---|
| C | £ |
|---|---|

If (A + B) is more than C, enter the difference in box D

| | |
|---|---|
| D | £ |
|---|---|

Copy the figure in box D to box 10 - a balancing allowance

If C is more than (A+B), enter the difference in box E

| | |
|---|---|
| E | £ |
|---|---|

Copy the figure in box E to box 7 - a balancing charge

Note 1: if an item on which you have claimed a first year allowance in 2007-08 is sold on or before 5 April 2008, and if you have used it solely for your official duties, deduct the first year allowance from the original cost and add the balance to your pool for 2007-08.

Note 2: you must include the sale proceeds (if any) of items on which you claimed a first year allowance in 2007-08.

Note 3: if the sale proceeds or value of any item are more than the original cost of that item to you or anybody connected with you, enter the original cost instead. Help Sheet 293 *Chattels and Capital Gains Tax* explains how Capital Gains Tax may apply to these items.

Other assets and equipment: balancing allowances and balancing charges

Use a separate Working Sheet for each separate asset or item of equipment that is not included in the 'pool' in Working Sheet 2 or 4, and which was no longer being used for your official duties at the end of the tax year.

Working Sheet 5

Value brought forward from 2006-07, or cost if item bought in 2007-08 or market value, if you started using for official duties an item bought in an earlier year. See Note 1 if the item is one on which you claimed a first year allowance for 2007-08

A £

Sales proceeds if item sold, or market value if you stopped using the item for your official duties without selling it but if the sale proceeds or value of any item are more than the original cost of that item, see Note 2

B £

If A is more than B enter the difference in C

C £

Business proportion of box C

Copy the figure in box D to box 10 - a balancing allowance

D £

If B is more than A, enter the difference in box E

E £

Business proportion of box E

Copy the figure in box F to box 7 - a balancing charge

F £

Note 1: if the item is one on which you claimed a first year allowance in 2007-08, deduct the first year allowance from the original cost and enter the balance in box A. The first year allowance to be deducted is the full allowance for the year before any deduction for private use.

Note 2: if the sale proceeds or value of any item are more than the original cost of that item to you or anybody connected with you, enter the original cost instead. Help Sheet 293 *Chattels and Capital Gains Tax* explains how Capital Gains Tax may apply to these items.

Short life assets

There are special rules if you intend to keep the item of equipment for only a short time, or you think it will wear out quickly. If you acquire an item that you expect to dispose of, or which you expect to wear out within five years of the date you acquired it, you may elect to have the capital allowances calculated separately from your main 'pool'.

This election:

- must be made in writing to us, and
- must be made no later than the first anniversary of 31 January following the end of the tax year in which you acquired the item (so an election for 'short life asset' treatment of an item acquired in 2007-08 must be made by 31 January 2010).

The election cannot be withdrawn once it has been made.

The separate calculation of capital allowances means that relief for the actual depreciation incurred in using the item can be given more quickly than under the normal rules.

If the item has not been sold or disposed of by the end of the five year period, the balance in the 'separate pool' for that item is added to the 'main pool', then dealt with in the normal way.

For further information ask us or your tax adviser.

Financing equipment by hire purchase, leasing agreement or alternative finance arrangement

If you acquire equipment under a hire purchase or leasing agreement the tax consequences depend on the arrangements you make. Broadly, the rules are as follows:

- if you have a hire purchase agreement, capital allowances are due on the deposit as soon as you pay it. Once you bring the equipment into use, the rest of the capital cost qualifies for capital allowances. Enter these in box 10.
- for a lease agreement that is not a long funding lease, tax relief for rental payments is given as an expense deduction for the years in which they are payable. These expense deductions go in box 10 in the *Legislative Assembly* pages. If the lease contains any provision whereby the lessee shall or may become the owner of the item, then the hire purchase contract rules apply. If the lease agreement is a long funding lease the lessee may be able to claim capital allowances. If the lease began before 1 April 2006 it cannot be a long funding lease. You should consult us or your tax adviser if you think a lease is a long funding lease.

If you purchased the assets or equipment using an alternative finance arrangement the capital allowances cost is the original cost of the asset. The original cost does not include any alternative finance payments which are the charges made by your finance provider over and above the original cost of the asset or equipment.

If you use the item of equipment partly for private purposes, then the relief must be apportioned. For further guidance on this ask us or your tax adviser.

Inexpensive items of equipment

Instead of claiming capital allowances, you may be able to claim an expenses deduction for the full cost of some items in the year they are acquired. This applies if:

- the cost of the item is small, and
- the item replaces one on which capital allowances have not been claimed.

Examples of the sort of items that can be dealt with in this way are small tools, or protective clothing. For further information, ask us or your tax adviser.

Examples of capital allowances and balancing charges

Example 2 - 'pool' of equipment used wholly for official duties: first year allowance and writing down allowance.

Sue becomes a Member on 6 October 2006. She works partly from home in Belfast, and it was necessary for her to buy the following items of equipment in order to do her official duties:

| | | |
|-----------------|--------------------------|------|
| 6 October 2006 | a desk costing | £320 |
| | a filing cabinet costing | £100 |
| 6 December 2007 | a photocopier costing | £290 |

All these items are used wholly for official duties. Sue claims capital allowances for them as follows:

| | | |
|---------|---|-------------|
| 2006-07 | Cost of desk | £320 |
| | Cost of filing cabinet | <u>£100</u> |
| | | £420 |
| | First year allowance (50%) | <u>£210</u> |
| | Carried forward to 'pool' for 2007-08 | £210 |
| 2007-08 | Pool value brought forward | £210 |
| | Writing down allowance (25%) | <u>£53</u> |
| | Pool value carried forward | £157 |
| | Cost of photocopier 6 December 2007 | £290 |
| | First year allowance (50%) | <u>£145</u> |
| | Value carried forward | £145 |
| | Total capital allowances for 2007-08 (£53 + £145) | £198 |
| 2008-09 | Pool value brought forward | £157 |
| | Value of photocopier brought forward | <u>£145</u> |
| | New pool value | £302 |
| | Writing down allowance (25%) | <u>£76</u> |
| | Pool value carried forward | £226 |

Example 3 – assets used partly for non-business purposes: first year allowance and writing down allowance.

The facts are the same as in Example 2 except that on 6 March 2008 Sue buys a computer costing £800. She uses the computer 90% for her official duties and 10% privately. Because the computer is not used wholly for official duties it does not go into the 'pool' in Example 2. Instead, capital allowances on the computer are calculated separately, as follows:

| | | |
|---------|---|-------------|
| 2007-08 | Cost of computer on 6 March 2008 | £800 |
| | First year allowance (50%) | £400 |
| | Value carried forward | £400 |
| | Allowance due (business proportion) £400 x 90% | £360 |
| 2008-09 | Value brought forward | £400 |
| | Writing down allowance (25%) | <u>£100</u> |
| | Value carried forward | £300 |
| | Allowance due (business proportion) £100 x 90% | £90 |

Example 4 – balancing allowances and balancing charges.

Sue ceases to be a Member on 30 November 2009. The items which she bought in Examples 2 and 3 are disposed of as follows:

| | |
|---|------|
| Desk (cost £320) is retained for private use; its market value at 30 November 2009 is | £100 |
| Filing cabinet (cost £100) is sold for | £25 |
| Photocopier (cost £290) proves to be a rare example and is sold to a museum for | £500 |
| Computer (cost £800) is retained for private use; its market value at 30 November 2009 is | £200 |

The balancing allowances and charges for 2009-10 are:

'Pool' assets

Value brought forward from 2008-09 (see Example 2) £226

Disposal values:

| | | |
|--------------------------------|--------|-------------|
| desk (market value) | £100 | |
| filing cabinet (sale proceeds) | £25 | |
| photocopier (original cost) | £290 * | <u>£415</u> |

Balancing charge for 2009-10 **£189 ****

Computer

Value brought forward from 2008-09 (see Example 3) £300

Disposal value (market value at 30 November 2009) £200

Balancing allowance (before adjustment for private use) £100

Balancing allowance due for 2009-10 (business proportion) 100 x 90% **£90 *****

*As the sale proceeds of the photocopier (£500) are more than the original cost (£290) the balancing adjustment is calculated using the original cost.

**The balancing charge of £189 goes to box 7 in the *Legislative Assembly* pages. If the total disposal value had been less than the pool value brought forward the result would have been a balancing allowance instead.

***The balancing allowance of £90 goes to box 10 in the *Legislative Assembly* pages.

Calculating your tax bill

If you want to calculate your tax bill ask the Orderline for the *Tax Calculation Summary pages* and *notes* or go to www.hmrc.gov.uk

The Working Sheet in the *Tax Calculation Summary notes* does not have separate boxes for your Legislative Assembly income. You should include the amounts from your *Legislative Assembly* pages in the 'Employment' boxes on the Working Sheet in the *Tax Calculation Summary notes*, as follows:

| <i>Legislative Assembly page</i> | <i>Tax Calculation Summary notes</i> |
|---|--|
| Income (box 1) | enter this in section 1, box A1 (along with any other employment income you have) |
| Benefits (boxes 3 to 7) | add the amounts in boxes 3 to 7 together and enter the total amount in section 1, box A5 (along with the total of any other employment benefits you have) |
| Expenses (boxes 8 to 10) | add the amounts in boxes 8 to 10 together and include the total amount in section 1, box A6 (along with the total of any other employment expenses you have) |
| Tax taken off (box 2) | include this in the total figure in section 10, box A187 (along with the total of any other tax taken off any employment income). |

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