

# Working sheet for tax credit relief for Gift Aid donations, pension contributions and trading losses

Use this working sheet to help you work out your income for tax credits purposes.

Please make sure that you keep the working sheet or a record of your calculations, in case we have any questions.

## Who should fill this in?

The person who has made the Gift Aid donations, pension contributions or trading loss. If you are part of a joint claim and either of you made any of these payments or a trading loss, then the first named person on your tax credits claim should fill in this working sheet.

If you used the 'Earnings as an employee' working sheet in the Notes sent with your tax credits claim form or Renewals Pack, you may already have deducted any personal pension contributions you paid direct (for example, Free-Standing Additional Voluntary Contributions or payments to Stakeholder pensions) from your employment earnings. If you have, do not use this working sheet unless you (or in a joint claim, your partner) have made other personal pension contributions, Gift Aid donations or a trading loss.

'Your partner' on this working sheet refers to the person you have claimed tax credits with, and does **not** refer to your business partner.

If you have made a joint claim, please remember:

- to enter your partner's name on the working sheet
- that your total income includes both your and your partner's income.

## Step 1

Work out your income using the working sheets included in the Notes sent with your tax credits claim form or Renewal Pack.

### Note 1 - benefits from your employer

For information on what to include please go to:

- Part 5.4 of the notes sent with your tax credits claim form, or
- Page 8 of the notes sent with your tax credits Renewal Pack.

Your employer usually tells you the taxable values on a form P9D or P11D and, for tax credits purposes, the benefit may include:

- any goods or assets that you could sell for cash
- any personal liabilities (for example, your gas or electricity bill) which were paid by your employer
- vouchers and credit tokens, except those used to pay for registered childcare
- car mileage allowances or payments towards the running costs of your car
- company cars and car fuel
- taxable expenses payments.

## Help

If you would like more help:

- go to [www.hmrc.gov.uk/taxcredits](http://www.hmrc.gov.uk/taxcredits)
- phone our helpline on **0845 300 3900**
- textphone our helpline (for people with hearing or speech difficulties) on **0845 300 3909**
- write to us at:  
Tax Credit Office  
Preston  
PR1 0SB

For our opening hours go to [www.hmrc.gov.uk/contactus](http://www.hmrc.gov.uk/contactus)

## Customers with particular needs

We offer a range of facilities for customers with particular needs, including:

- wheelchair access to nearly all Enquiry Centres
- help with filling in forms
- for people with hearing difficulties
  - Text Relay
  - induction loops.

We can also arrange additional support such as:

- home visits, if you have limited mobility or caring responsibilities and cannot get to one of our Enquiry Centres
- the services of an interpreter
- sign language interpretation
- leaflets in large print, Braille and audio.

For complete details please:

- go to [www.hmrc.gov.uk/enq/index.htm](http://www.hmrc.gov.uk/enq/index.htm)
- phone the helpline on **0845 300 3900**
- textphone the helpline (for people with hearing or speech difficulties) on **0845 300 3909**.

## Your rights and obligations

*Your Charter* explains what you can expect from us and what we expect from you. For more information go to [www.hmrc.gov.uk/charter](http://www.hmrc.gov.uk/charter)

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## Note 2 – other income

Other income includes:

- income from savings and investments
- State Pensions and other UK pensions
- property income
- trust income
- foreign income
- notional income.

Enter the total amount of your other income that exceeds £300 (if you are claiming as a couple the £300 limit applies to your joint other income) plus for students, any Adult Dependant's Grant, or miscellaneous income received.

## Note 3 – property income

Letting property does not constitute a trade, so should not be included in any income from self-employment.

### Rental property

If you have a rental property that made a loss, relief for tax credit purposes is generally given in the same way as for Income Tax. If you made a loss, include '0' in respect of this income in your calculation of 'other income' for the year.

### Furnished holiday lettings

If your property income includes income from furnished holiday lettings, the rules allow losses from this source to be treated in the same way as trading losses. This means that you can set them against your other income (or if you are making a joint claim, your partner's other income) in the year the loss arises.

If your property income is from both furnished holiday lettings and other forms of property income, only the loss arising on the furnished holiday lettings should be treated this way.

### Other losses on property income

Normally, the loss should be carried forward and set off against profits from the same source in the following tax year. If, however, part of the loss arises from capital allowances or from agricultural land, that part of the loss may be set against other income which you (but not your spouse or partner) may have, either in the tax year in which the loss was made or in the following tax year.

In such cases, the amount of loss relief available for tax credit purposes is based on your tax calculations. Please see Example 1 opposite.

## Step 2

Deduct the gross amount of any:

- qualifying Gift Aid donations
- personal pension or retirement annuity contributions.

For example, if you made a Gift Aid donation in 2010-11 of £100, your gross donation will be £125 (£100 multiplied by 100, then divided by 80). Enter the total amount on the working sheet.

## Step 3

Deduct the trading loss (of the year forming the basis of the claim) from the 'Total income'. A trading loss only arises where a trade is carried out on a commercial basis, with a view to making a profit.

The tax credits rules on trading losses operate separately from those for Income Tax. This means that for tax credit purposes you deduct the trading loss from:

- any other income you may have for that year
- in a joint claim, any other income which you and your partner have for that year.

## Example 1

James and Sarah are married. Sarah stays at home to look after the children. James has income in 2010-11 from self-employment of £50,000. He also lets several properties. The income and expenses of all the lettings are included in a single rental business.

During 2010-11, James incurred allowable expenditure on his lettings business which resulted in a loss of £15,000. This loss would usually be carried forward and set against subsequent profits of the lettings business. However, James has some net capital allowances due on his rental business, so part of the loss may be set against his general income for that tax year.

For Income Tax purposes, the following items were included in arriving at the loss:

- capital allowances of £10,000
- balancing charge adjustment of £8,000

leaving net capital allowances of £2,000.

For tax credits purposes, James can claim tax credits loss relief for 2010-11 of £2,000.

When completing his form TC603D *Annual Declaration*, giving his income for the tax year 2010-11, James may set £2,000 of his rental property loss against his self-employed income of £50,000. The balance of the loss (£13,000) is to be carried forward and set against his future profits from his lettings business (but not against his future general income).

Put simply, calculate the total of your reliefs and losses.

Add your gross Gift Aid donations	£	A
Plus gross personal pension or retirement annuity contributions	£	B
Plus your trading loss	£	C
Equals Total loss and relief	£	D

If D is less than your total income, deduct this amount from the boxes in the order in which they appear on your tax credits claim form or Declaration form, whichever applies. Please see the example at the bottom of the page.

If D is equal to or more than your total income, enter '0' in every box in:

- Part 5 of your tax credits claim form
- Part 2 of your form TC603D *Annual Declaration*, or
- Part 1 and/or Part 2 of your form TC603D2 *Tax Credits Declaration*.

### Losses brought forward

If this does not use up the entire loss, the balance (that is, the unused part of the loss after deducting the amounts set against other income in the year the loss arises) may be carried forward to be set against the profits of the same business in a future tax year.

For example, if you had a loss in 2009-10 (the 'previous year' for the purposes of tax credits claims in 2010-11) and there is some loss remaining after the deduction from other income from 2009-10, the unused part of the 2009-10 loss may be brought forward and deducted from the profits of the same business in the tax year 2010-11.

### Example 2

Helen is employed by ABC Holding. Her P60 shows that she earned £18,870 (before tax and other deductions) in 2010-11. She handles all the paperwork at home, so when she filled in the tax credits claim form she gave her details for 'You' and her husband Derek's details for 'Your Partner'.

Derek is self-employed and made a loss of £10,500 in 2010-11.

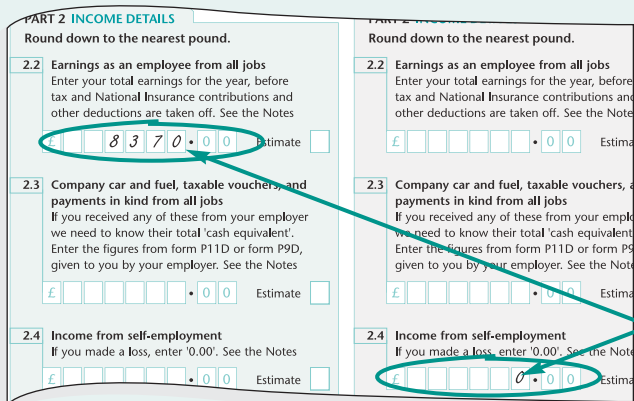
They have no other reliefs to claim. Their total joint income is £18,870.

Box D is less than their total income.

Helen needs to deduct £10,500 from the amount that should go in the box(es) on her *Annual Declaration*.

She enters £8,370 in box 2.2 for 'You' (£18,870 - £10,500 = £8,370) and '0' in box 2.4 for 'Your partner'.

£	0	A
£	0	B
£	10 500	C
£	10 500	D



## Working sheet to calculate relief and losses

Your income for the tax year  to

Your details (see 'Who should fill this in?' on page 1)

Name

National Insurance number

Your partner's details (for joint claims only)

Name

National Insurance number

### Gift Aid, personal pension or retirement annuity contributions and trading losses

Step 1 - total your income	You	Your partner	Total
Taxable social security benefits	£ <input type="text"/>	£ <input type="text"/>	£ <input type="text"/>
Earnings as an employee	£ <input type="text"/>	£ <input type="text"/>	£ <input type="text"/>
Benefits from your employer (see Note 1 on page 1)	£ <input type="text"/>	£ <input type="text"/>	£ <input type="text"/>
Income from self-employment <i>where there is a loss for that person, enter '0' in their box</i>	£ <input type="text"/>	£ <input type="text"/>	£ <input type="text"/>
Total other income combined (see Notes 2 and 3 on page 2)			£ <input type="text"/>
Total income			£ <input type="text"/>
<b>Step 2 - deduct the following</b>			
Gross Gift Aid donations	£ <input type="text"/>	£ <input type="text"/>	£ <input type="text"/> <b>A</b>
Gross personal pension or retirement annuity contributions	£ <input type="text"/>	£ <input type="text"/>	£ <input type="text"/> <b>B</b>
Balance of income			£ <input type="text"/>
<b>Step 3</b>			
Deduct your trading loss <i>this is the loss that arose in the year forming the basis of your tax credits claim</i>	£ <input type="text"/>	£ <input type="text"/>	£ <input type="text"/> <b>C</b>
Balance of income <i>if minus, balance of trading loss to be carried forward against future profits of the same trade</i>			£ <input type="text"/>