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.

Where benefits in kind have been payrolled by your employer and included in your P60 or P45, you will need to deduct the cash equivalent/taxable amount of all benefits in kind from the total in the P60 or P45. Then add back in at box 5.4 on the claim form the cash equivalent/taxable amount of any relevant benefits in kind listed on Page 14 of the Notes, using P11D or P9D provided by your employer.

Help

If you would like more help or information on tax credits:

- go to **www.hmrc.gov.uk/taxcredits**
- phone our helpline on

0345 300 3900

- textphone our helpline (for people with hearing or speech difficulties) on

0345 300 3909

- write to us at:

Tax Credit Office
PRESTON
PR1 4AT

For our opening hours go to **www.hmrc.gov.uk** or phone us

We have a range of services for people with disabilities, including guidance in Braille, audio and large print. Most of our forms and guidance are also available in large print. Please phone our helpline if you need these services.

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**

Note 2 – other income

Other income includes:

- income from savings and investments, including dividends
- 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 any miscellaneous income received, and for students, any Adult Dependant's Grant.

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.

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. From 6 April 2011, the same rule applies to furnished holiday lettings, including losses unrelieved at 5 April 2011. 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 2012-13 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

If you are self-employed, 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 2012-13 from self-employment of £25,000. He also lets several properties. The income and expenses of all the lettings are included in a single rental business.

During 2012-13, 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 2012-13 of £2,000.

When completing his form TC603D *Annual Declaration,* giving his income for the tax year 2012-13, James may set £2,000 of his rental property loss against his self-employed income of £25,000. 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).

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 this 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 2011-12 (the ‘previous year’ for the purposes of tax credits claims in 2012-13) and there is some loss remaining after the deduction from other income from 2011-12, the unused part of the 2011-12 loss may be brought forward and deducted from the profits of the same business in the tax year 2012-13.

Example 2

Helen is employed by ABC Holding. Her P60 shows that she earned £18,870 (before tax and other deductions) in 2012-13. 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 2012-13.

PART 2 INCOME DETAILS

Round down to the nearest pound.

2.2 **Earnings as an employee from all jobs**
Enter your total earnings for the year, before tax and National Insurance contributions and other deductions are taken off. See the Notes

£ 8370 • 00 Estimate

2.3 **Company car and fuel, taxable vouchers, and payments in kind from all jobs**
If you received any of these from your employer we need to know their total 'cash equivalent'. Enter the figures from form P11D or form P9D, given to you by your employer. See the Notes

£ • 00 Estimate

2.4 **Income from self-employment**
If you made a loss, enter '0.00'. See the Notes

£ • 00 Estimate

PART 2 INCOME DETAILS

Round down to the nearest pound.

2.2 **Earnings as an employee from all jobs**
Enter your total earnings for the year, before tax and National Insurance contributions and other deductions are taken off. See the Notes

£ • 00 Estimate

2.3 **Company car and fuel, taxable vouchers, and payments in kind from all jobs**
If you received any of these from your employer we need to know their total 'cash equivalent'. Enter the figures from form P11D or form P9D, given to you by your employer. See the Notes

£ • 00 Estimate

2.4 **Income from self-employment**
If you made a loss, enter '0.00'. See the Notes

£ 0 • 00 Estimate

They have no other reliefs to claim. Their total joint income is £18,870.	£	A
	£	B
Box D is less than their total income.	£	C
	£	D

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’.

Working sheet to calculate relief and losses

Your income for tax year

6 / April / 20 **to** 5 / April / 20

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	£	£	£
Earnings as an employee	£	£	£
Benefits from your emplyer *(see Note 1 on page 1)*	£	£	£
Income from self-employment *where there is a loss for that person, enter '0' in their box*	£	£	£
Total other income combined *(see Notes 2 and 3 on page 2)*			£
Total income			£
Step 2 – deduct the following			
Gross Gift Aid donations	£	£	£ A
Gross personal pension or retirement annuity contributions	£	£	£ B
Balance of income			£
Step 3 Deduct your trading loss *this is the loss that arose in the year forming the basis of your tax credits claim*	£	£	£ C
Balance of income *if minus, balance of trading loss to be carried forward against future profits of the same trade*			£