Proforma income tax computation for 2017/18

	Non-savings income	Savings income	Dividends	
معافیت	۰	۵۰۰–۱۰۰۰–۵۰۰۰	۵۰۰۰	
Trading Profit	X			X
Net profit per accounts				

ADD BACK: Expenditure not deductible for tax(improvement to an asset-qualifying loan interest-gifts to customers if (1they cost less than £50 per person per year, and2the gift is not food, drink, tobacco or vouchers exchangeable for goods and services3the gift carries a conspicuous advertisement for the business.)-charitable donation if 1 small 2 wholly and exclusively 3 local charity- 15% of the leasing on cars with CO_2 emissions exceeding 130g/km - Premium if $(P \times (51 - n)/50)/n$-Fines and penalties-20% of his mileages private use owner - market value the goods in the business(Pre-trading expenditure – allowable if it is expenditure incurred in the seven years before a business)

LESS: items not assessed as trading profit - Income assessable elsewhere (eg property income, interest income)

-Non-taxable (exempt) Income ⇨ **1**-Interest or bonuses on National Savings & Investment Certificates**2**-Interest and dividends within an Individual Savings Account [ISA](NS&I Easy Access account / NS&I Direct Saver Account&NS&I Investments accounts)**3**-Gaming, lottery and premium bond winnings)

Adjusted profits	X	
LESS: Capital allowances	Annual Investment Allowance(AIA)	all plant and machinery except motor cars.
	Writing Down Allowance (WDA) if < 1000the entire balance may be taken as a WDA in that period	main pool ⇨ cars with CO_2 emissions between76-130 special rate pool ⬇
	1-Integral features of a building**2**-Long life assets**3**-Motor cars with CO_2 emissions over 130	
	First Year Allowance (FYA)	New cars with CO_2 emissions up to 75(never time apportioned)
non pool assets	1) Assets with private use by the business owner,(separate column on the computation) 2) Short life assets(Any plant and machinery go to the main pool, except cars,old at a low residual value or scrapped within 8 years)-are calculated separately	
Cash Basis for Small Businesses	in the tax year that do not exceed £150,000 & in the previous tax year exceed £300,000.for plant and machinery (except cars) ⇨ The allowance is at a rate of 45p per mile for the first 10,000 business miles and 25p thereafter	
flat rare	the add back would be £350 per month or part thereof (£4,200 per annum) and for two occupants it would be £500 per month (£6,000 per annum).	
Tax adjusted trading profit		
Less Trading Loss relief – brought forward	Carry forward against future trading profits of the same trade Terminal loss⇨relief against the trading profits of the previous three tax years on LIFO basis	
Employment Income	X	X
	Deductibility of expenses ⇨ **1)**occupational pension schemes(employee) **2)**Fees and subscriptions **3)**charity made under a payroll **4)**Travel expenses of the duties of employment **5)**Capital allowances are available for plant and machinery provided by an employee for use in his duties.	
	Approved mileage allowances ⇨The allowance is at a rate of 45p per mile for the first 10,000 business miles and 25p thereafter(use their own motor car)	
	Exempt benefits **1**-Canteen**2**-removal up to £8,000**3**-Car parking**4**-Workplace nurseries**5**-Childcare voucher(55.28.25)**6**-pension scheme by employer**7**-parking for bicycles & allowance of 20p per business mile**8**-mobile for private use**9**-Christmas parties(up to £150 year)**10**-Sport and recreational facilities**11**-medical treatment £500 per employee **12**-made redundant up to 2 years**13**-household costs up to £4 per week & justify the expense **14**-Long service awards up to £50 each year for 20 years **15**-Trivial benefits up to £ 50**16**-Use of employer bicycles **17**-Provision of eye care**18**-Incidental overnight expenses Up to £5 per night (UK) and up to £10 per night (overseas)	
	Taxable benefits ⇨1)Vouchers exchangeable for goods and services unless specifically exempt.2)not job related accommodation benefit is the higher of 1-the accommodation's annual value.2-the rent actually paid for it.3-The benefit is reduced by any rent if the cost of providing is greater than £75,000⇨additional benefit = (cost of providing accommodation – £75,000) × the official rate of interest (2.5%)), and the rent actually paid for it by the employer (improvements incurred before the start of the tax year) 4-lighting and heating the employee paid by the employer in living accomodation.	
	Taxable benefits : first providing accommodation (bought more than six years by employer) ⇨ property's market value when first occupied by the employee	
	Taxable benefits : Use of assets ⇨ Amount assessed is the higher of **1)** 20% × market value of the asset when first provided **2)** rental paid by employer (if asset is rented)	
	Gifts of assets⇨(exept motorcars)the higher of **1**- the market value of the asset when gift to him **2**-(the market value of the asset when first made - Use of assets ➡the benefit assessed on the employee during the time he had the use of it)	
Employment Income	Private use of Motor cars ⇨ One or Second motor cars The benefit is a percentage of the car's list price up to 37% The percentage rates are increased by 3% for diesel cars.(pool cars does not result in a company car benefit) **Reductions benefits** ⇨ if unavailable for periods of at least 30 days of the tax year, and the employee makes a contribution to the employer for the use of the motor car	
	Fuel provided ⇨ for private use £22,600 No reduction is made if the employee contributes towards the cost of petrol for private use.If he pays for all fuel used for private motoring the charge is cancelled.	

Employment Income	Vans and heavier commercial vehicles ⇨ Where private use is not insignificant the tax charge is £3,230p.a .Fuel provided ⇨ equal to £610p.a.time apportioned for 30 days or more during any part of the tax year
	Beneficial loans ⇨ There is no benefit if loans do not exceed £10,000 in total at any time in tax year Average method ⇨ This uses the loan outstanding at the beginning and the end of the tax year. Accurate method ⇨ This calculates benefit day by day on the balance actuall you outstanding.
Annual Allowance (AA)	Tax reliefe pension scheme ⇨ that will attract tax relief are limited to the higher of: 1-the relevant earnings of the taxpayer, being mainly employment income and/or trading profits plus any profits from furnished holiday lettings, or 2-£3,600 of gross contribution
	The maximum contribution that can be qualify for tax relief without evidence of earnings is £3,600. Annual allowance £40,000-Minimum allowance £10,000-adjusted income ⇨ Income limit £150,000 Lifetime Allowance £1,000,000 "adjusted income"⇨ net income + occupational pension schemes (by employer & employee) not fully utilised the AA ⇨ carry forward for 3 years on a FIFO basis. Annual Allowance Charge ⇨ it as additional non-savings income of the year.

NATIONAL INSURANCE CONTRIBUTIONS (NIC)	employment	employee type 1 base on (cash earnings) £1 - £8,164 @ 0% × [£8,165 – £45,000] @ 12% × £45,001 and above @ 2%
		employer type 1 & 1a Class 1A ⇨ 13.8% base on (taxable benefit) type1 ⇨ £1 - £8,164 @ 0% × £8,165 and above @ 13.8% × Employment allowance £3,000 (cash earnings)
	Self-employed earners base on the tax adjusted trading profit assessed	type 2 ⇨ £2.85 per week Small earnings exemption limit => £6,025
		type 4 ⇨ £1 - £8,164 @ 0% × [£8,165 – £45,000]@9% × £45,001& above per year@ 2%

plus + occupational pension schemes (by employer & employee)

adjusted Employment Income

Property Income	X			X
revenue expenses ⇨ insurance - agents' fees - other management expenses, for example cleaning expenses - repairs - interest on a loan to purchase the property				
residential lettings ⇨ Replacement Furniture relief(Relief is available expenditure incurred up to 7 years prior to renting)				
furnished holiday lettings ⇨ capital allowances (1) The accommodation must be available to let for at least 210 days in the tax year(2) The accommodation must actually be let for at least 105 days in the year(3)If one or more persons occupies the property more than 31 consecutive days then these periods of long letting must not exceed 155 days in the year				
Rent a Room relief The exemption expenses exceed income, or where actual expenses exceed £7,500				
Lease premiums on grant of short lease (50 years or less) P ×(51 – n)/50 P = total premium n = duration of lease in years				
Property losses ⇨ carried forwardand offset against future property income profits				
Finance Expenses on Property Income ⇨ only 75% of the expense is deductible, falling in 25% in tax year.				
Dividends from UK companies			X	X
Building society interest		X		X
Bank deposit interest		X		X
Other interest		X		X
TOTAL INCOME	X	X	X	X
Less ⇨ gross personal pension contributions				
Adjusted total income				

Other Trading Loss reliefs	(X) (X)
	against total income (of current and/or preceding tax year)⇨ **Adjusted total income** = total income - gross personal pension contributions The cap is the higher of £50,000, or 25% of person's adjusted total income
	Losses in opening years ⇨ A loss may only be used once. Opening years loss relief 1-incurred in the first four tax years2-against total income of the three tax years preceding on a FIFO basis3-personal allowances may again be lost if relief partial claims
	against capital gains the Annual Exempt Amount(AEA) ⇨ 11/300

Qualifying interest	(X)			(X)
On a loan to purchase an interest in a partnership or a contribution to the partnership of capital or a loan				
On a loan to purchase plant or machinery used in the business, by a partner				
On a loan to purchase plant and machinery by an employee if used in the performance of duties				
On a loan to purchase an interest in a close company				
NET INCOME	X	X	X	X
less ⇨(gross personal pension contributions + less gross gift aid payments)				
Adjusted Net Income (ANI)>١٠٠.٠٠٠⇨ PA=(ANI-١٠٠.٠٠٠)/2 ⇨ANI>=123000the PA is reduced to nil				
Less: Personal Allowance	(X)			(X)
TAXABLE INCOME/tax liability	X	X	X	X

	Chargeable Disposal ⇨ gifted, lost or destroyed.
	Chargeable Person ⇨ An individual who is resident in the UK is a Chargeable Person and is therefore liable on their worldwide assets

CAPITAL GAINS TAX INDIVIDUALS	Chargeable Assets ⇨ Exempt include:Motor vehicles suitable for private use -ISA-Foreign currency for private use-Decorations awarded for bravery-Damages for personal injury-Life insurance policies-Works of art given for national use-Gilt edged securities (Government Securities such as Exchequer Stock)-Qualifying Corporate Bonds (Corporate loan stock)-Certain Chattels AEA ⇨11/300 If the annual exempt amount is not used it is wasted Disposal proceeds X Less: Selling Expenses (X) Net proceeds X Less: Costs (X) Capital Gain/(Capital loss) X / (X) Less: Capital losses in tax year (X) Net Capital Gains in tax year X Less:Capital losses brought forward (X) Net Capital Gains X **Less** **trading loss** **X** Less Annual exempt amount(AEA) (11,300) Taxable Gains X CGT × 10%, 20% or18% and 28% X
Rates of CGT	Residential property gains except Principal Private Residence higher&additional 18% or 28% other assets⇨basic rate higher&additional 10% or 20% (if(band ⇨33/500- taxable incom)>CGT)10%otherwise20%⇨ CGT -(33/500- taxable incom)*20% Assets qualifying for entrepreneurs⇨ uncorporate ↓ 10%
Entrepreneurs' relief	1)disposing of businuss or part of businuss 2)when claim gift,waste relief.3)this relief just use for individual not company.4)the claim must be made by donee and donay.5)not avaliable on investment.6)3years after seas to disposal asset to use relief. 3 condition to use 1)has 5% of shareholding.2)employee this company.3)befor 12 months work full time or part
Replacement of business assets (Rollover Relief)	rolled over (defferd) ⇨ deducted gain of sale old assets from cost of new assets
Reinvestment in depreciating asset	rolled over (defferd) ⇨ gain of sale old assets plus gain of new assets
Relief for the gift of business assets	the donor and donee disposal and acquired the assat of market value
Sale at undervalue	if gift < market value ⇨ (gift-cost)=qualyfing CGT
Losses of CGT	the unrelieved capital losses will be carried forward.
Assets not wholly used for trading purposes	relif fraction = Market value CBA÷Market value CA
Principal Private Residence Relief	gain * period of (occupation÷ ownership)
Principal ⇨ absence to be full occupation	1) last 18 months2) up to 4 years elsewhere in UK 3) up to 3 yars for any reson.4) overseas work
Letting relief in absent	**lower of** ❶ PPR ❷ 40/000 ❸ gain attributable to letting
gain attributable to letting	gain * (period of rent÷period of ownership)
Incidental costs would include:	(a) legal fees(b) advertising fees(c) auctioneers fees(d) agency fees
The cost of the Part Disposals	The cost of the whole asset ✕A÷(A+B) **A**=Gross proceeds of part disposed **B**=Market value of the remainder of the asset at time of disposal
Chattels ⇨ non wasting chattel ⇉ wasting chattel ⇨ life of 50 years or less⇨**exempt**⇨ racehorses, greyhounds (dogs) and yachts (boats). non wasting chattel ⇨ life of more than 50 years plant&machinery (A chattel is a tangible moveable asset)	Cost — Proceeds — Treatment ≤ £6,000 — ≤ £6,000 — Exempt ≤ £6,000 — > £6,000 — Normal calculation but the gain is restricted to a maximum 5/3 * (Gross proceeds – 6,000) > £6,000 — <£6,000 — Deemed Gross Proceeds = £6,000 > £6,000 — > £6,000 — Normal calculation
Other wasting assets (that are not chattels) example copyright.	$\frac{P}{L} \times (C - S)$ P = Period of ownership of seller. L = Predictable Life of asset on acquisition. C = Cost of the asset. S = Scrap residual value
Disposal Cost SHARES A)Shares acquired on the same day B)Shares acquired within30day following sale C) Shares from the share pool	Bonus issues⇨ shares increase number of shares held with no corresponding increase in cost Rights issue ⇨ The share pool is increased by the number and cost of the shares acquired
Takeovers	If at takeover, some cash is also received, a capital gain needs to be calculated at takeover for the cash element received.on market value.
INHERITANCE TAX	Potentially Exempt Transfers (PET)⇨ gift (only if transfeer dies within 7 years of making gift)paid by the donee.The due date for the lifetime tax is the later of 30 April and on death six months after death. Time from transfer to date of death(CLT&PET): 3 – 4 years 20%; 4 – 5 years 40%; 5 – 6 years 60%; 6 – 7 years 80% The IHT payable on the Chargeable Estate at Death then computed 325000 The nil rate band is £325,000-7 years before taxed at 40%. Chargeable Lifetime Transfers (CLT)⇨ into a trust.(if dies within7years (gross amount) must be use. the relevant nil rate band limit will be provided by the examiner. If IHT is payable it should be paid **6** months after the end of the month in which the transfer was made, but earliest the 30th April following the end of the tax year in which the transfer took place. if the tax is being paid by the donee the nil rate band is **20%** no previous lifetime transfers if the tax is being paid by the donor"grossed up"the nil rate band is **25%** no previous lifetime transfers with lifetime transfers on theath (leaving a chargeable estate of £1M) ⇨ **40%** death estate ⇨ calculated using nile rate band of death
residence property nil rate band	(lower of Main residence (net of mortgage) and £100,000
The Death Estate Bequests are exempt IHT if made to	Spouse / Civil Partner there is an additional residence nil rate band (£100,000)by DIRECT(children/grandchildren)

Lifetime Exemptions(PET) (Normal expenditure out of income.) Lifetime Exemptions(CLT)	Annual exemption (AE)⇨The first £3,000 of gift each tax year Any unused AE is carried forward Marriage exemption 1)civil partnership is exempt 2)parents the first £5,000 is exempt3)grandparents exemption is £2,500. 4)For others, the exemption is £1,000. Small gifts ➡Gifts of up to £250 per donee per tax year(exemption only applies to lifetime transfers) Any gifts made to maintain family members are fully exempt Normal expenditure out of income : the donor must show a regular pattern of giving Annual exemption (AE)⇨The first £3,000 of gift each tax year without AE is carried forward
Transfer of Unused Nil Rate Band (NRB)	If any amount of a taxpayer's NRB is unused on their death then the proportion of their NRB that is unused will transfer to their spouse / civil partner.
vat Compulsory registration	Compulsory registration – future turnover (a) A trader must also register for VAT if taxable supplies will exceed £85,000 during the following 30 days. This is regardless of any taxable supplies preceding this 30 day period. Again the figure is exclusive of VAT. (b) HMRC must be notified by the end of the 30 day period (c) The trader will be registered from the beginning of the 30 day period.
	Compulsory registration – historical turnover A trader making taxable supplies must register for VAT if during the previous 12 months the value of taxable supplies exceeded £85,000. However, VAT registration is not required if taxable supplies in the following 12 months will not exceed £83,000. These figures are exclusive of VAT.
Voluntary VAT Registration	A trader may decide to voluntarily register for VAT where taxable supplies are below the £85,000 registration limit.charged on the zero-rated outputs.
Pre-registration Input VAT	Inventory & non-current assets must be acquired for business purposes, and not be sold or consumed prior to registration
	The goods were not acquired more than four years prior to registration.
	services were not supplied more than6months prior to registration&business purposes.
VAT Deregistration	voluntarily VAT deregistration The trader must notify HMRC within 30 days if expected taxable supplies in next 12 months are less than £83,000
Motor Expenses	Input VAT can be recovered where fuel is used for private mileage (either by a sole trader or an employee), but output VAT must be accounted for. Output VAT is calculated according to a scale charge based on the cars CO_2 emissions.
Tax Point The basic tax point is the date goods are made available to the customer or service completed.	» If an invoice is issued or payment received before the basic tax point, then this becomes the actual tax point. » If an invoice is issued within 14 days of the basic tax point, the invoice date will usually become the actual tax point.
The refund of VAT	The refund of VAT that has been overpaid is subject to a four-year time limit.
Major points	Relief for irrecoverable debt is over six months
The value	inclusive ⇨(with vat) gross up/120*20 | exclusive ⇨(without vat)
Return & Payment	one month and seven days after the end of the VAT period
Flat rate scheme	the expected taxable turnover for the next 12 months does not exceed £150,000 can stay in the scheme if turnover is ≤ £230,000 The flat rate percentage is applied to the gross total income figure, with no input VAT Businesses using the scheme must still issue VAT invoices to their VAT registered customers. Businesses using the scheme cannot reclaim any input tax suffered.
private use	Input VAT on the motor car is not recoverable because there is private use. However, since there is some use of car for business purposes, then any VAT charged on repairs and maintenance costs can be treated as input tax without apportionment for private use. Businesses using the scheme must still issue VAT invoices to their VAT registered customers. Businesses using the scheme cannot reclaim any input tax suffered.
VAT Returns	normally completed on a quarterly basis.by one month and seven days after