



# CHECKING YOUR INCOME TAX

Use our simple calculator, overleaf, to check whether you've paid the right amount of income tax for the 2004-2005 tax year

The full tax calculation can be complex, and is best done with the aid of a computer – see 'More help', right. But if your affairs are straightforward, you can use our calculator to get a quick idea of your income tax for 2004-2005.

Watch out for the different rates of tax that apply to different types of income. These mean that the order in which you use up your tax allowances and slot your income into the basic-rate tax band and £2,020 starting-rate band can make a difference. The calculator takes the different tax rates into account. But, for simplicity, it doesn't cover:

- taxable gains from life insurance
- taxable lump sums from employers
- charitable payments under Gift Aid if you pay little or no tax
- double taxation relief on income from abroad (otherwise foreign income is treated largely as if it were UK income of the same type)
- student loan repayments collected through the tax system
- any over- or underpayments of tax from a previous tax year.

If any of these applies to you, see 'More help'.

## WHAT TO ENTER

The calculator first works out the tax due on your gross income minus gross tax-allowable deductions. It then takes account of other tax relief due and tax already paid.

Dividends and most savings income are usually received net (after deduction of tax). And you make some tax-allowable payments net by first deducting basic-rate relief. To find the gross amount, either add together your net amount plus the tax, or divide the net amount by 0.8 for savings, 0.9 for dividends, and 0.78 for Gift Aid donations and net pension payments.

If any calculation has a negative result, enter zero (except in the last box).

## ALLOWANCES

Only personal and blind person's allowance (see step 2 of the calculator) give full tax

relief. Married couple's allowance and maintenance deduction give reduced relief (see p18) and are now available only if you (or your husband or wife) were born before 6 April 1935. If this is the case, enter the amount in step 8.

Any unused married couple's allowance or blind person's allowance can be transferred between spouses. Include any transferred amount with your own allowances.

## TAX-FREE INCOME

Don't include any of the following income, on which you pay no tax:

- interest from National Savings Certificates and Children's Bonus Bonds; Premium Bond prizes; the first £70 of interest from the National Savings Ordinary Account
- savings or investment income from Isas, Peps, SAYE accounts or friendly society tax-exempt plans
- education grants and scholarships
- some damages for personal injury
- most proceeds from qualifying life insurance policies
- rental income below the rent-a-room tax-free limit (see p33)
- interest on tax rebates or on delayed compensation for injury or death
- statutory redundancy pay and (within limits, see p21) some lump-sum payments from employers
- housing benefit, council tax or rent rebates and home improvement grants
- adoption allowances and most foster care payments
- some state benefits, including child benefit, tax credits and pension credit
- maintenance and alimony
- some insurance benefits if you are sick, disabled or unemployed
- payments from some long-term care policies if paid directly to the care provider
- income from family income benefit life insurance policies
- lottery and betting winnings.

## MORE HELP

If you're affected by any special rules or types of income not covered by this calculator, you can use:

- the Inland Revenue's internet service, Self Assessment Online. You will need software to file your tax return using this – either the Revenue's free Online Tax Return or commercial tax return software, some of which is also free. Visit [www.inlandrevenue.gov.uk](http://www.inlandrevenue.gov.uk) for more information
- the Inland Revenue's tax calculation guide – available from the Revenue orderline on 0845 9000 404

# CHECK YOUR INCOME TAX

Our simple calculator will help you check you've paid the right amount of tax. See p13 for how to fill it in

## INCOME TAX CALCULATOR

Enter the gross (before-tax) amount of your income for 2004-2005 in the right-hand boxes. Under 'Tax paid' enter any tax deducted through PAYE, plus any payments on account made on 31 January 2005 and (if relevant) 31 July 2005. Do not include any payments made to cover tax outstanding from earlier years.

### 1 ENTER YOUR NON-SAVINGS INCOME

	TAX PAID	INCOME Gross
<b>Income from employment</b> Include your basic salary or wage, commission, bonuses and profit shares, tips, holiday pay, taxable sick pay, maternity, paternity or adoption pay, and the taxable value of fringe benefits and expenses payments. Deduct any contributions to your employer's pension scheme, charitable payments made through a payroll-giving scheme and anything spent on allowable expenses.	<input type="text"/>	<input type="text"/>
<b>Pensions and social security benefits</b> Enter only the taxable amount (whoever pays the benefit should tell you this). For pensions from abroad, this is 90 per cent of the amount due.	<input type="text"/>	<input type="text"/>
<b>Taxable profits from self-employment or a partnership and freelance earnings</b> (after loss relief). See p28 for information on working out your taxable profits.	<input type="text"/>	<input type="text"/>
<b>Income from land or property</b> Enter your profits, after deducting expenses and loss relief. If you let rooms under the rent-a-room scheme, don't enter any tax-free amount of rental income.	<input type="text"/>	<input type="text"/>
<b>Other taxable non-savings income</b> For example, non-savings income from trusts, settlements or the estates of people who have died.	<input type="text"/>	<input type="text"/>
<b>Add up all the gross income and enter it at A</b>		<input type="text"/> <b>A</b>

### 2 DEDUCT YOUR TAX-ALLOWABLE DEDUCTIONS AND FULL-RELIEF ALLOWANCES

<b>Personal allowance</b> If you were born after 5 April 1940, enter £4,745. If you were born on or before that date, you may get a higher allowance – see p43 for how to work this out.	<input type="text"/>
<b>Blind person's allowance</b> If you were entitled to this allowance, enter £1,560 here. If your spouse can claim the allowance but doesn't use it in full, enter any unused amount here and put in a claim to transfer it.	+ <input type="text"/>
<b>Pension contributions paid gross</b> Enter payments to a retirement annuity contract, including any life insurance bought through the plan. Only enter payments treated as made in 2004-2005 (see p47) and don't include any other private pension contributions (these are all now paid after tax relief).	+ <input type="text"/>
<b>Other full-relief deductions</b> For example, interest on a loan to buy into a company or partnership; relief on gifts of qualifying investments or land to charity. (Enter other charitable donations in step 5.)	+ <input type="text"/>
<b>Add up all the allowances and gross deductions and enter at B</b>	= <input type="text"/> <b>B</b>
If <b>A</b> is more than <b>B</b> , deduct <b>B</b> from <b>A</b> and enter at <b>C</b> . This is the taxable amount of your non-savings income.	<input type="text"/> <b>C</b>
If <b>B</b> is more than <b>A</b> , deduct <b>A</b> from <b>B</b> and enter at <b>D</b> . This is the amount of your allowances and deductions not needed to reduce your non-savings income to zero.	<input type="text"/> <b>D</b>

### 3 FIND THE TAXABLE AMOUNT OF YOUR SAVINGS INCOME

<b>Enter any taxable interest from banks, building societies, National Savings &amp; Investments, British Government stocks, corporate bonds, bond-based unit trusts and from some annuities.</b>	Net <input type="text"/>	+	Tax deducted <input type="text"/>	=	Gross <input type="text"/> <b>E</b>
Enter the amount received and any tax deducted, and add them together to get gross income.					
If <b>E</b> is more than <b>D</b> , deduct <b>D</b> from <b>E</b> and enter at <b>F</b> . This is the taxable amount of your savings income. If <b>D</b> is more than <b>E</b> , deduct <b>E</b> from <b>D</b> and enter at <b>G</b> . This is the amount of your remaining allowances and deductions not needed to reduce your non-savings income to zero.	<input type="text"/> <b>F</b>				
					<input type="text"/> <b>G</b>
<b>Add up all the figures in the 'Tax paid' column, above. Enter the total in the box, right</b>	Tax already paid <input type="text"/>				

### 4 FIND THE TAXABLE AMOUNT OF DIVIDEND INCOME

<b>Enter any dividend or distribution from shares, share-based unit trusts or OEICs</b>	Dividends <input type="text"/>	+	Tax credits <input type="text"/>	=	Gross <input type="text"/> <b>H</b>
Enter amount received and the tax credit (one-ninth of the dividend), and add the two together to get gross income.					
If <b>H</b> is more than <b>G</b> , deduct <b>G</b> from <b>H</b> and enter at <b>J</b> . Otherwise enter zero. This is your taxable dividend income.	<input type="text"/> <b>J</b>				

### 5 ADJUST YOUR BASIC-RATE TAX BAND BY ADDING TAX-ALLOWABLE PAYMENTS MADE NET

<b>Pension contributions paid net</b> If you paid into a personal pension or stakeholder pension, or free-standing additional voluntary contributions, enter the amount paid, tax relief already received, and add them together to get the gross amount. Don't include payments 'carried back' to a previous tax year.	Amount paid <input type="text"/>	+	Tax relief <input type="text"/>	=	Gross <input type="text"/>
<b>Gift Aid donations</b> Enter the amount treated as paid in 2004-2005 (see p6), the basic-rate relief you deducted before making the payments, and add together to get the gross amount. Note that if you made charitable donations, and the tax relief is more than (or close to) the tax due at the end of step 7, the tax relief may be clawed back. The calculator does not cover this.	<input type="text"/>	+	<input type="text"/>	=	<input type="text"/>
					+ £29,380
<b>Add the two boxes in the right-hand column to the amount of the basic-rate band (£29,380)</b> This gives you any higher-rate relief due on these payments. Copy the result to the starred box in step 6.					<input type="text"/> *

## INCOME TAX CALCULATOR

### 6 ALLOCATE YOUR INCOME TO TAX BANDS

**Your non-savings income** Enter C from step 2 and \* from step 5.

- At K enter either C or £2,020, whichever is lower.
- Deduct K from C to find L.
- At M enter either L or the adjusted basic-rate band, if lower.
- Deduct M from L and enter the result at N.

Now, working down the columns, deduct K from £2,020 and enter the result at O: deduct M from the adjusted basic-rate band and enter the result at P. This gives you the amount of your starting- and basic-rate bands unused so far

**Your savings income** Enter F from step 3.

- At Q enter O, or F if lower.
- Deduct Q from F to find R.
- At S enter P, or R if lower.
- Deduct S from R and enter the result at T.

Working down the columns again, find your remaining tax bands. Enter O minus Q at U, and P minus S at V

**Your dividend income** Enter J from step 4. At W enter U, or J if lower. Deduct W from J to find X (enter zero if negative). At Y enter V or X if lower. Deduct Y from X to find Z (enter zero if negative).

	Starting-rate band £2,020		Adjusted basic-rate band *		Higher-rate band All income over £31,400
<input type="text"/>	<input type="text"/>	=	<input type="text"/>	=	<input type="text"/>
C	K		L		N
<input type="text"/>	<input type="text"/>	=	<input type="text"/>	=	<input type="text"/>
O	P				
<input type="text"/>	<input type="text"/>	=	<input type="text"/>	=	<input type="text"/>
F	Q		R		T
<input type="text"/>	<input type="text"/>	=	<input type="text"/>	=	<input type="text"/>
U	V				
<input type="text"/>	<input type="text"/>	=	<input type="text"/>	=	<input type="text"/>
J	W		X		Z
<input type="text"/>	<input type="text"/>	=	<input type="text"/>	=	<input type="text"/>
			Y		

### 7 WORK OUT THE TAX

Add up K+Q+W+Y. This is your income within the starting-rate band, plus dividends within the basic-rate tax band. Multiply by 10 per cent.

<input type="text"/>	x0.10 =	<input type="text"/>
K+Q+W+Y		

Enter S from step 6 (your savings income within the basic-rate band) and multiply by 20 per cent.

<input type="text"/>	x0.20 =	<input type="text"/>
S		

Enter M from step 6 (your non-savings income within the basic-rate band) and multiply by 22 per cent.

<input type="text"/>	x0.22 =	<input type="text"/>
M		

Enter Z from step 6 (your dividend income liable to higher-rate tax) and multiply by 32.5 per cent.

<input type="text"/>	x0.325 =	<input type="text"/>
Z		

Add up N+T from step 6. This is your non-dividend income liable to higher-rate tax. Multiply by 40 per cent.

<input type="text"/>	x0.40 =	<input type="text"/>
N+T		

Add up all the tax due (the five boxes in the right-hand column)

<input type="text"/>
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### 8 DEDUCT EXTRA TAX RELIEF

**Dividend tax credits** Enter J from step 4 and multiply it by 10 per cent.

<input type="text"/>	x0.10 =	<input type="text"/>
J		

**Enterprise Investment Scheme** Enter amount paid which qualifies for tax relief and multiply by 20 per cent.

<input type="text"/>	x0.20 =	<input type="text"/>
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**Venture Capital Trusts** Enter amount paid which qualifies for tax relief and multiply by 40 per cent.

<input type="text"/>	x0.40 =	<input type="text"/>
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**Community investment tax relief** Enter the amount paid which qualifies for tax relief and multiply by 5 per cent

<input type="text"/>	x0.05 =	<input type="text"/>
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**Married couple's allowance, maintenance deduction** If you (or your spouse) were born before 6 April 1935, enter amount claimed and multiply by 10 per cent.

<input type="text"/>	x0.10 =	<input type="text"/>
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**Calculate your income tax** Deduct your tax relief from the tax due at the end of step 7 (enter zero if this produces a minus figure). The result is your income tax bill.

=	<input type="text"/>
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### 9 ADD CLASS 4 NATIONAL INSURANCE

**Enter Class 4 NI on taxable business profits** This is 8 per cent of profits between £4,745 and £31,720, and a further 1 per cent of profits above £31,720. If profits are below £4,745, enter zero. Add to tax due at end of step 8. Enter total, right.

+	<input type="text"/>
=	<input type="text"/>

### 10 WORK OUT YOUR TAX BILL

Enter your tax already paid from step 3. Then deduct from the tax due at the end of step 9.

-	<input type="text"/>
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The result is your tax bill or, if a minus figure, your tax overpaid. (Note that you may need to make adjustments if you have already had a tax refund during the year.)

=	<input type="text"/>
	Tax already paid