

CHECKING YOUR INCOME TAX

Use our calculator, overleaf, to get a quick idea of your income tax for the 2008-09 tax year (6 April 2008 to 5 April 2009)

Simply assuming that everything is on track isn't worth the risk where tax is concerned – you need to actually check you've paid the right amount. Our calculator, overleaf, will help you do just that for the 2008-2009 tax year.

What to watch out for

Enter dividends and savings interest (steps 3 and 4) before tax (the 'gross' amount). It is usually received 'net' (with tax taken off) – to find the gross amount, either add together the net amount plus the tax or divide the net amount by 0.8 for savings, 0.9 for dividends.

Also enter the gross amount of personal pension contributions and gift-aid donations (step 5). You pay these after deducting basic-rate tax – divide the amount you paid by 0.8 to find the gross amount.

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

What you don't need to enter

The following income is tax-free and you can ignore it when filling in the calculator.

- Interest from National Savings certificates and children's bonus bonds; premium bond prizes
- Savings or investment income from Isas, Venture Capital Trusts, SAYE accounts, child trust funds or friendly society tax-exempt plans
- Education grants and scholarships
- Some damages for personal injury
- Most insurance benefits if you are sick, disabled or employed
- Rental income that is tax-free under the rent-a-room scheme
- Interest on tax rebates or on delayed compensation for injury or death
- Statutory redundancy pay and some other lump sums from employers
- Housing benefit, council tax or rent rebates and home improvement grants
- Adoption allowances and most foster care payments
- Maintenance and alimony
- Some state benefits, including child benefit, tax credits and pension credit
- Payments from some long-term care policies if paid directly to the care provider

- Qualifying life insurance policies – not strictly tax-free but you are not taxed on any payouts
- Tax-free lump sums from a pension plan
- Lottery and betting winnings.

What isn't covered

To keep it simple, our calculator doesn't cover:

- taxable gains from life insurance and taxable lump sums from employers
- gift-aid payments 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)
- student loan repayments collected through your tax
- over- or underpayments of tax from a previous tax year.

If any of the above applies to you, you can use:

- Revenue & Customs' internet service, Self Assessment Online. You can use its free Online Tax Return or commercial tax return software. Visit www.hmrc.gov.uk for details
- Revenue & Customs' paper tax calculation summary notes. Order from Revenue & Customs on 0845 9000 404.

Although the publisher endeavours to make sure the information in this guide is accurate and up-to-date, it is only a general guide and nothing in this publication constitutes taxation advice by *Which?*. Readers should consult a qualified tax adviser who can consider individual circumstances if taxation advice is required.

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HOW TO FILL IN THE CALCULATOR

STEP 1 Enter your non-savings income at step 1. It gives details of what to include.

STEP 2 Deduct allowances and payments that give you full tax relief at step 2.

STEP 3 AND 4 Enter savings and investments income here; deduct remaining allowances and reliefs.

STEP 5 If you have paid personal pension contributions or gift-aid donations, complete step 5. Step 5 gives you any higher-rate tax relief due by increasing the amount of income that is taxed at the basic rate. (You have already had basic-rate relief by paying less.)

STEP 6 AND 7 Cover the main tax calculation and will

help you apply the right rate to different types of income.

STEP 8 Deduct tax relief given as a reduction against your tax bill at step 8.

STEP 9 Add Class 4 National Insurance if you're self-employed at step 9.

STEP 10 Work out your tax bill, taking into account tax you've already paid at step 10.

INCOME TAX CALCULATOR 2008-2009

Our simple calculator will help you check you've paid the right amount of tax for the 2008-2009 tax year. Use it if your tax affairs are straightforward.

1 ENTER YOUR NON-SAVINGS INCOME

Enter the gross (before-tax) amount of your income for 2008-2009 in the right-hand boxes. Under 'Tax Paid' enter any tax deducted through PAYE, plus any payments on account you made or are due to make on 31 January 2009 and 31 July 2009. Do not include any payments made to cover tax outstanding from earlier years

| | TAX PAID | INCOME <small>Gross</small> |
|---|----------------------|--------------------------------|
| Income from employment 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"/> |
| Pensions and social security benefits Enter only the taxable amount (90% for pensions from abroad). Don't include lump sums from deferring a state pension, which are paid with tax already deducted. | <input type="text"/> | <input type="text"/> |
| Taxable profits from self-employment or a partnership and freelance earnings (after allowable expenses, capital allowances and loss relief). | <input type="text"/> | <input type="text"/> |
| Income from land or property Enter your profits, after deducting expenses and any 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"/> |
| Other taxable non-savings income For example, non-savings income from trusts, or income from the estate of someone who has died that is treated as yours and property income dividends from a Real Estate Investment Trust. | <input type="text"/> | <input type="text"/> |
| Add up all the gross income and enter it at A | | <input type="text"/> A |

2 DEDUCT ALLOWANCES AND PAYMENTS THAT GIVE YOU FULL TAX RELIEF

| | | |
|--|------------------------|-------------------------------|
| Personal allowance If you were born after 5 April 1944, enter £6,035. If you were born on or before that date, you may get a higher allowance – see The Which? Tax Saving Guide. | <input type="text"/> | |
| Blind person's allowance If you were entitled to this enter £1,800 here. If your spouse or civil partner 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"/> | |
| Retirement annuity contributions Enter payments made gross (before deducting tax relief), but don't include any other private pension contributions (these are all paid after tax relief). | + <input type="text"/> | |
| Other full-relief deductions For example, business losses that you are claiming to set against non-business income; relief on gifts of qualifying investments or land to charity. (Enter other charitable donations in step 5.) | + <input type="text"/> | |
| Add up all the allowances and gross deductions and enter at B | = <input type="text"/> | B |
| If A is more than B , deduct B from A and enter at C . This is the taxable amount of your non-savings income. | | <input type="text"/> C |
| If B is more than A , deduct A from B and enter at D . This is the amount of your remaining allowances and deductions not needed to reduce your savings income to zero. | | <input type="text"/> D |

3 FIND THE TAXABLE AMOUNT OF YOUR SAVINGS INCOME

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

4 FIND THE TAXABLE AMOUNT OF DIVIDEND INCOME

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

5 ADJUST FOR ANY EXTRA TAX RELIEF ON PENSION CONTRIBUTIONS AND CHARITABLE DONATIONS

| | | | | |
|---|---|--------------|-------------------------------------|------------------------|
| Pension contributions paid net If you had a personal or stakeholder pension or made free-standing additional voluntary contributions, enter the amount paid and divide by 0.8 to account for tax relief added to your payment. Enter the result in the 'Gross' box. | <input type="text"/> Amount paid | ÷ 0.8 | = <input type="text"/> Gross | |
| Gift-aid donations Enter the amount you paid, minus amounts already 'carried back' to 2007-2008, and plus amounts you wish to 'carry back' from 2009-2010. Divide by 0.8 to account for tax relief claimed by the charity and enter the result in the 'Gross' box. Note that if the tax relief is more than the tax due at the end of step 7, it may be clawed back. The calculator does not cover this. | <input type="text"/> | ÷ 0.8 | = <input type="text"/> | |
| Add the two boxes in right-hand column to the amount of the basic-rate band (£32,480) This gives you any higher-rate relief due on these payments. Copy the result (the adjusted basic-rate band) to starred box in step 6. | | | + £32,480 | <input type="text"/> * |

INCOME TAX CALCULATOR

6 ALLOCATE YOUR INCOME TO TAX BANDS

Your non-savings income Enter **C** from step 2 and * (adjusted basic-rate band) the starred box from step 5.

- At **K** enter either **C** or £2,320, 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**.

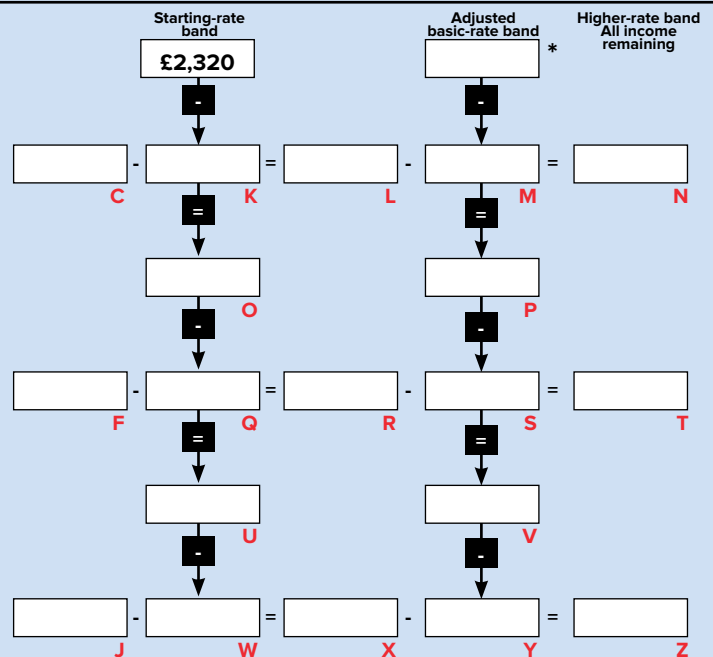
Now, working down the columns, deduct **K** from **£2,320** and enter the result at **O**: deduct **M** from the adjusted basic-rate band and enter the result at **P**. This gives you the amount of your starting- and basic-rate bands unused so far

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).



7 WORK OUT THE TAX

Add up **Q+W+Y** from step 6. This is your savings income within the starting-rate band (if any – only people with low earnings or pensions will benefit), plus dividends within the basic-rate tax band. Multiply by 10%.

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

Add up **K+M+S** from step 6. This is your income within the basic-rate band. Multiply by 20%.

| | | |
|----------------------|---------|----------------------|
| <input type="text"/> | x0.20 = | <input type="text"/> |
| K+M+S | | |

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

| | | |
|----------------------|----------|----------------------|
| <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%.

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

Add up all the **tax due** (the four shaded boxes in the right-hand column)

| | | |
|----------------------|---|----------------------|
| <input type="text"/> | = | <input type="text"/> |
|----------------------|---|----------------------|

8 DEDUCT EXTRA TAX RELIEF

Dividend tax credits Enter **J** from step 4 and multiply it by 10%

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

Married couple's allowance, maintenance deduction If you (or your partner) were born before 6 April 1935, enter amount claimed and multiply by 10%

| | | |
|----------------------|---------|----------------------|
| <input type="text"/> | x0.10 = | <input type="text"/> |
|----------------------|---------|----------------------|

Enterprise Investment Scheme Enter amount paid which qualifies for tax relief and multiply by 20%

| | | |
|----------------------|---------|----------------------|
| <input type="text"/> | x0.20 = | <input type="text"/> |
|----------------------|---------|----------------------|

Venture Capital Trusts Enter amount paid which qualifies for tax relief and multiply by 30%

| | | |
|----------------------|---------|----------------------|
| <input type="text"/> | x0.30 = | <input type="text"/> |
|----------------------|---------|----------------------|

Community Investment tax relief Enter amount paid which qualifies for tax relief and multiply by 5%

| | | |
|----------------------|---------|----------------------|
| <input type="text"/> | x0.05 = | <input type="text"/> |
|----------------------|---------|----------------------|

Deduct your tax relief (the five shaded boxes in the right-hand column) **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"/> | = | <input type="text"/> |
|----------------------|---|----------------------|

9 IF YOU HAD BUSINESS PROFITS ADD CLASS 4 NATIONAL INSURANCE

Enter class 4 NI on taxable business profits This is 8% of profits between £5,435 and £40,040, and a further 1% of profits above £40,040. If profits are below £5,435, enter zero. Add to tax due at end of step 8. **Enter total, right.**

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

10 WORK OUT YOUR TAX BILL

Enter your tax already paid (the figure in the red box from step 3). Then deduct from the tax due at the end of step 9.

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

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"/> | = | <input type="text"/> |
|----------------------|---|----------------------|