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Use the following notes to help you complete the *Additional information* pages. You may also need Help Sheets which go into much greater detail, available from the Orderline or go to **www.hmrc.gov.uk**

Other UK income

Interest from gilt-edged and UK securities (and accrued income profits)

Boxes 1 to 3

If you have interest from:

- government stocks (gilt-edged securities or gilts)
- bonds, loan notes or similar securities issued by UK companies, local authorities or bodies in the UK

enter the interest in boxes 1 to 3 as appropriate.

You can choose to receive your interest from Government stocks (gilt-edged securities or gilts) with or without tax taken off. If your gilt interest is untaxed enter the amount received in box 3 and leave blank boxes 1 and 2. If your gilt interest is taxed, fill in all three boxes.

The Accrued Income Scheme

Accrued income securities include all interest-bearing securities, including permanent interest-bearing shares in a building society (PIBS), Government loan stock and company loan stock, but not shares in a company or National Savings & Investments certificates. If you have to make Accrued Income Scheme adjustments to any interest you receive (not just gilt interest), enter the interest and tax taken off in boxes 1, 2 and 3.

You will have to calculate profits or losses for securities you have bought, sold or transferred if the next interest payment after your purchase or sale etc, fell between 6 April 2008 and 5 April 2009. No profit arises and no loss is made for 2008–09 if the nominal value of all accrued income securities held at any time in 2008–09 or 2007–08 did not exceed £5,000. Securities that you hold in a PEP or ISA do not count towards this limit.

A **profit** will arise if you purchased securities without accrued interest (ex-dividend) or sold securities with the accrued interest (cum-dividend). The amount of the profit will be the adjustment for the accrued interest not received, that is, the amount by which the purchase price was reduced (purchase ex-dividend) or the sale price was increased (sale cum-dividend).

A **loss** will be made if you purchased securities with accrued interest (cum-dividend) or sold securities retaining the right to the next interest payment (ex-dividend). The amount of the loss will be the adjustment for the amount of the extra interest received, that is, the amount by which the purchase price was increased (purchase cum-dividend) or the sale price was decreased (sale ex-dividend).

The contract note for the purchase or sale of the securities will, in most cases, show the amount of accrued interest. If it does not, or if you have received or transferred securities other than through a market sale (for example, as a gift) please contact us.

You can usually combine the profits and losses to produce a net figure. Where the profits exceed the losses add the total net amount to the interest figure in box 3. Where the losses exceed the profits deduct the excess from the 'gross' interest received from the kind of security and enter the reduced amount of interest in box 3.

If the result is a negative figure enter '0' in box 3. The excess loss should be carried forward and set against any future profits arising. Do not change boxes 1 and 2. If your gilt interest is paid without tax taken off reflect the profits and losses in box 3.

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Help Sheet 343 *Accrued Income Scheme* explains in more detail how to work out accrued income profits and losses, when special rules apply, and how to get further information.

Deeply discounted securities

If you invest in these products, the return on your investment is made up of a discount or premium payable on redemption. This discount or premium is the difference between the bond's price and the value at redemption. If you are not sure whether you hold such investments please contact us. No tax is taken off the discount or premium before you receive it so enter in box 3 the difference between what you paid for the bond and what you get when you redeem or sell it.

If you hold gilt strips there is a tax charge on the discount each year even if you do not dispose of the securities. The discount charge is worked out by comparing the published market value of the strips at 5 April 2009 with that for 2008 (or with the price you paid if you bought them during the year).

You cannot claim for any loss on gilt strips. For other deeply discounted securities you can only claim a loss if you have held the security since 26 March 2003 and on or at any time before that date it was listed on a recognised stock exchange.

Life insurance gains

Boxes 4 to 7

If you have received a certificate (a 'chargeable event' certificate) from:

- a UK insurance company
- a UK friendly society
- trustees of a trust you have set up or contributed to

telling you about a chargeable event gain made in connection with a life insurance policy, capital redemption policy or life annuity, fill in boxes 4 to 7. If you own the policy or annuity jointly with your spouse or civil partner, only enter your half share of the gain.

UK insurers are required by law to issue a certificate if they know a gain has been made. We may also have received a copy of the certificate. For all events other than sales or assignments, the certificate will show:

- details of the policy
- the type of event and the date it occurred. If there is one date make sure it falls in the year ended 5 April 2009. If there are two dates, make sure the later one falls in the year ended 5 April 2009
- the number of years since you took out the policy, or since the last event
- the amount of the gain, and
- whether tax is treated as paid on the gain and, if so, how much.

If tax has been treated as paid, enter in boxes 4 and 5 details of the gains and the number of years. If tax has not been treated as paid, enter the details in boxes 6 and 7.

You will need Help Sheet 320 *Gains on UK life insurance policies* if:

- you own the policy with others (not your spouse or civil partner)
- the gain arose as a result of an assignment (including one that took place as part of a settlement on divorce or separation)
- you have purchased a qualifying policy, sometimes known as a 'traded endowment policy', from a third party

- on or after 21 March 2007 you paid premiums exceeding £100,000 in total into a policy or policies in a tax year and you received a rebate of commission in respect of those premiums or commission which was reinvested in the policy as additional premium, or
- your circumstances are not covered by these notes.

You may have made a gain even if you have not received a certificate, in which case you will also need Help Sheet 320. For example, if your insurer:

- has sent the certificate to someone else, perhaps to trustees or a lender to whom your policy was assigned or given as security for your debt
- does not have your current address
- is not aware of changes in the ownership of the policy
- does not know that the insured has died, or
- does not know that you have sold or reassigned all or part of a policy for consideration.

If you have a cluster of identical policies with the same insurer, all gains made at the same time may be reported on the same certificate. If the insurer has given you separate certificates but the gains are identical, add them together.

If you have made gains from several, non-identical policies then enter the total amount of the chargeable event gains in box 4 where tax has been treated as paid, and in box 6 where tax has not been treated as paid. Do not use box 5 or 7; instead, provide the following details in box 17 on page Ai 4:

- a description of each policy or cluster
- the amount of the gains
- the number of complete years
- whether tax has been treated as paid.

Not all payments from, or assignments of, life insurance policies or other insurance contracts give rise to gains. If you have made withdrawals from a UK policy, or have received cash or other benefits following a death, maturity or surrender, but you have not received a certificate (and the circumstances set out above do not apply) there is no gain to enter in boxes 4 to 7. This is most likely to be the case where you have:

- received a payment under a mortgage endowment policy or a friendly society tax-exempt savings policy which has run for 10 years or more, or
- received a payment under a policy for which you paid a single premium and the payment you have received is less than 5% of the premium (any tax due on the payment will be deferred until the policy ends), or
- given all or part of the policy to someone else and received nothing in return.

Chargeable event gains from foreign policies should be included on the *Foreign* pages of your Tax Return. If you are not sure whether your policy is foreign, please check with your insurer. Help Sheet 321 gives further guidance.

Boxes 8 to 10 *Gains from voided ISAs*

Where an ISA including a life policy is made void, for example, following an invalid subscription, you will be given a chargeable event certificate from the ISA manager or the life insurance company; use it to complete boxes 8 to 10.

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Box 11 Deficiency relief

This relief may be due if a life insurance policy, capital redemption policy or life annuity came to an end in the year to 5 April 2009 and:

- you have made one or more chargeable event gains in a previous tax year(s), because you have made part withdrawals or part assignments of an amount higher than 5% of the premium, and
- you pay tax at the higher rate.

You will need Help Sheet 320 or Help Sheet 321 *Gains on foreign life insurance policies* to work out the amount, if any, to enter in box 11.

Stock dividends, non-qualifying distributions and loans written off

Box 12 Stock dividends

If you took up an offer of shares instead of receiving a cash dividend, this is a stock dividend. The company should have provided a dividend statement showing 'the appropriate amount in cash' or 'the cash equivalent of the share capital'; enter this figure in box 12. Do not include the amount of Income Tax treated as paid. If you need help with this, please contact us.

Box 13 Non-qualifying distributions and close company loans written off or released

A non-qualifying distribution is:

- a bonus issue of securities or redeemable shares (unless the issue gives rise to a qualifying distribution, which would be included in the dividends boxes on your Tax Return), or
- the paying on of such a bonus issue from a company that received it.

The amount of the distribution to be entered in box 13 is:

- in the case of an issue of a bonus security, the amount of the principal secured plus any premium payable on redemption
- the nominal value of redeemable shares plus any premium payable on redemption

minus any new consideration given for that bonus issue.

If you pay tax at the higher rate(s), tax will be due on the box 13 income; credit will be given for starting rate tax treated as paid.

Close company loans written off or released

Where a loan or advance, made by a close company to a participator or associate, is wholly or partly written off or released, the amount written off or released, plus an amount of tax treated as paid, becomes part of your income. If you pay tax at the higher rate(s) you will have more tax to pay on this income. Multiply the amount released or written off by 1/9, add that figure to the amount released or written off and enter the total in box 13. If you need help with this, please contact us.

Business receipts taxed as income of an earlier year

Boxes 14 and 15

Enter in box 14 any post-cessation or other business receipts (that is, received after your business has ceased) to be taxed as income of an earlier year. Enter that tax year in box 15, for example, 2007–08.

Share schemes

Boxes 1 and 2 *Share schemes and employment-related securities*

The notes and Working Sheets that follow will help you work out the taxable amount on the exercise of share options, or on shares you get free or cheaply, because of your employment or other taxable events in respect of employment-related securities.

You only need to complete the share schemes boxes (boxes 1 and 2) if:

- your employer has not deducted tax from the whole of the taxable amount, or
- your employer tells you that the value it used to arrive at the taxable amount for PAYE, was lower than it should have been. The taxable amount which has not had tax deducted due to this difference should be entered in share scheme box 1.

The amount that has already had tax deducted is dealt with as below:

- You do not complete the share scheme boxes for taxable amounts from which your employer has deducted tax. Normally these amounts are already included in your P60 (or, where you have left employment, P45) which are included in the *Employment* pages.
- Exceptionally, if you receive a taxable amount from the exercise of options, or in respect of employment-related securities after you have been given your P45 you will get a separate notification of the taxable amount and tax deducted from your employer. These amounts should be used to complete the *Employment* pages.
- If you are subject to the new remittance basis for income from employment-related securities ('securities income'), your employer may have deducted tax from only a part of the securities income. See the notes on the new remittance basis on pages AiN 27 and AiN 28.

We may check the details used by your employer to calculate the taxable amount and tax due and if an error is discovered, you may have to pay further tax.

Fill in a Working Sheet for each taxable event and put the total figure (excluding any amount included on the *Employment* pages) in box 1. If tax has been deducted in connection with the grant of an option, put the tax deducted in box 2. Please keep the Working Sheets in case we ask to see them.

Employment-related securities are securities you acquired because of your employment, when your employer (or someone connected to your employer) gave you (or another person) an opportunity to acquire them. The most commonly provided securities are:

- shares in a corporate body (wherever incorporated) or in an unincorporated body constituted under the law of a country or territory outside the UK
- debentures, loan stock, bonds and other debt instruments.

There are other types of securities and if you need more information go to www.hmrc.gov.uk or contact us.

You can get information to help you work out the taxable amount to enter in box 1 from the Working Sheets and notes as follows:

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Acquisition of securities as benefits (see pages AiN 16 – 18)

Provides guidance where:

- you acquire securities for less than their market value, or
- you dispose of these securities, or
- the amount outstanding on partly paid securities is released or written off.

Securities acquired from your employment (see pages AiN 18 and 20)

Provides guidance where you receive free or cheap securities by reason of your employment or from your employer.

Securities acquired: post-acquisition charges (see pages AiN 20 – 27)

Provides guidance in relation to:

- shares subject to a risk of forfeiture, or
- restricted securities, or
- convertible securities that carry an immediate or potential right to be converted into securities of a different description, or
- securities where the market value is artificially enhanced, or
- securities where the market value is artificially reduced, or
- the disposal of securities for more than their market value, or
- the receipt of special benefits from holding securities.

You will need supporting information, such as option certificates and exercise notices, from the company whose securities are involved; your employer may also be able to help.

Approved share schemes

There are three types of approved share schemes and Enterprise Management Incentives. If certain conditions are met you will not be taxable on:

- your purchase of shares
- your receipt of free shares
- the grant of an option to buy shares
- your exercise of an option to buy shares
- your shares ceasing to be subject to an Approved Share Incentive Plan.

You may still be taxable on any dividends you receive and on any capital gains you make when you sell your shares.

Approved share incentive plan

You will be chargeable to tax (use Working Sheet 1) if the shares you bought, or were awarded, cease to be subject to the plan within five years of their purchase or award.

The amount chargeable to Income Tax depends on how long the shares were held in the plan. If the shares were in the plan for:

- fewer than three years, the taxable amount is equal to their market value on the date they cease to be subject to the plan
- at least three, but fewer than five years, the taxable amount is the market value of the shares when they ceased to be subject to the plan or, if lower, their market value at the date they were awarded or bought for you.

For dividend shares (shares bought with dividends arising on other shares within the plan and reinvested in the approved plan) you will be chargeable to tax if they cease to be subject to the plan within three years of their purchase.

You will not be chargeable to tax if your shares cease to be subject to the plan because you ceased employment for one of the following reasons:

- injury or disability
- redundancy
- a change of employment under the Transfer of Undertakings (Protection of Employment) Regulations 2006
- a change in the control or sale of the company you work for out of the group
- retirement on or after the specified retirement age
- death.

If dividend shares cease to be subject to the plan:

- within three years of acquisition, and
- for a reason that is not one listed above

the amount of the dividend used to buy the shares should be included in box 3 in the dividend boxes on page TR 3 of your Tax Return for the year the shares cease being part of the plan.

If the shares are subject to forfeiture, there is no charge to Income Tax when they become forfeit.

Complete Working Sheet 1 for each taxable event.

Working Sheet 1	
Name of company and share plan and class of share	
<input type="text"/>	
Date shares ceased to be subject to the plan	DDMMYYYY <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
Market value when the shares ceased to be subject to the plan, or if lower, market value at the date of the award	1 £ <input type="text"/>
Number of shares	2 <input type="text"/>
Taxable amount <i>box 1 x box 2</i>	3 £ <input type="text"/>
Amount taxed under PAYE	4 £ <input type="text"/>
Taxable amount to go in box 1 <i>box 3 minus box 4</i>	5 £ <input type="text"/>

Approved Company Share Option Plan (CSOP)

You will not be taxable on the grant of an option.

You will not be taxable if you:

- exercise your options at a time when the scheme remains approved and between three and ten years from the date of grant, or where the plan allows

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- cease employment within three years of the date of grant and you exercise (within six months of the date you ceased) for one of the following reasons
 - injury or disability
 - redundancy
 - retirement on or after the age specified in the scheme (must not be less than 55 years).

The exercise of an option in all other circumstances will be taxable (use Working Sheet 2).

If you have not exercised your option but have received something for giving it up or not exercising it read 'Assignment or release of an option' on page AiN 13 and complete Working Sheet 7.

Working Sheet 2

Name of company and share scheme and class of security/share

Number of shares bought on exercise

1

Date option was granted

DDMMYYYY

Date option was exercised

DDMMYYYY

Exercise price - option price for each security

2 £

Amount, if any, paid for grant of option

3 £

Market value of each security at date option exercised

4 £

Total market value of shares bought *box 4 x box 1*

5 £

Total price paid *box 2 x box 1*

6 £

Profit on option exercise *box 5 minus (box 6 minus box 3)*

7 £

Employer's NICs you paid on exercise of option

8 £

Taxable amount *box 7 minus box 8*

9 £

Amount taxed under PAYE

10 £

Taxable amount to go in box 1 *box 9 minus box 10*

11 £

Approved Savings Related Share Schemes (SRS) or Save As You Earn (SAYE)

You will not be taxable on the grant of an option.

You will not be taxable if you exercise your option within six months of the end of your three, five or seven years savings contract.

You will only be taxable if you exercise your options within three years of the date of grant and the company you work for has been sold or taken over (complete Working Sheet 3).

If you have not exercised your option but have received something for giving it up or not exercising it, read 'Assignment or release of an option' on page AiN 13 and complete Working Sheet 7.

Any interest or bonus you receive under the savings contract is not taxable.

Working Sheet 3	
Name of company, security scheme and class of security	
<input type="text"/>	
Date option was granted	DDMMYYYY <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
Date option was exercised	DDMMYYYY <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
Number of securities	1 <input type="text"/>
Market value at date of exercise	2 £ <input type="text"/>
Total market value of shares bought <i>box 2 x box 1</i>	3 £ <input type="text"/>
Exercise price of each option of each security	4 £ <input type="text"/>
Exercise price paid <i>box 4 x box 1</i>	5 £ <input type="text"/>
Taxable amount to go in box 1 <i>box 3 minus box 5</i>	6 £ <input type="text"/>

Enterprise Management Incentives (EMI)

If you have exercised an EMI option which was granted at a discount complete Working Sheet 4 to work out the taxable amount.

If the market value of the shares at the date of exercise was less than the market value at the date of the grant, the taxable amount is restricted to the difference between the market value at the date of exercise and the amount paid for the shares, minus any employer's NICs you paid.

If you have exercised an EMI option more than 40 days after a disqualifying event, and the shares have risen in value since the disqualifying event, complete Working Sheet 5 to work out the taxable amount. If the entry at item 8 on Working Sheet 5 is 0 do not complete the rest of the Working Sheet, there is no tax to pay on the exercise.

If you have exercised a discounted option more than 40 days after a disqualifying event, complete Working Sheets 4 (up to box 11) and 5 (up to box 6) then use Working Sheet 6 to calculate the taxable amount.

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If you have not exercised your EMI option but have received something for giving it up or not exercising it read 'Assignment or release of an option' on page AiN 13.

Working Sheet 4

Name of company, unique option reference and class of shares

Number of shares acquired on exercise

1

Market value of each share at date option was granted

2

Total market value, at date of grant, of shares bought
box 2 x box 1

3

Amount, if any, paid for the grant of option

4

Market value of each share at date the option was exercised

5

Total market value at date of exercise of shares bought
box 5 x box 1

6

Exercise price of each share

7

Total price paid for shares *box 7 x box 1*

8

Profit by reference to market value at date of grant
(if no profit, enter '0'), *box 3 minus box 4 minus box 8*

9

Profit by reference to market value at date of exercise
(if no profit, enter '0'), *box 6 minus box 4 minus box 8*

10

Lesser of boxes 9 and 10

11

Employer's NICs you paid on exercise of option

12

Taxable amount *box 11 minus box 12*

13

Amount taxed under PAYE

14

Taxable amount to be entered in box 1 *box 13 minus box 14*

15

Working Sheet 5

Name of company, unique option reference and class of shares

Number of shares acquired on exercise	1	<input type="text"/>
Market value of each share at the date of the disqualifying event	2	<input type="text" value="£"/>
Total market value of shares at time of disqualifying event <i>box 2 x box 1</i>	3	<input type="text" value="£"/>
Market value of each share at the date the option was exercised	4	<input type="text" value="£"/>
Total market value, at date of exercise, of shares bought <i>box 4 x box 1</i>	5	<input type="text" value="£"/>
Increase in value of shares between disqualifying event and exercise <i>box 5 minus box 3</i>	6	<input type="text" value="£"/>
Amount, if any, paid for the grant of option	7	<input type="text" value="£"/>
Profit by reference to market value at date of exercise (if no profit, enter '0'), <i>box 6 minus box 7</i>	8	<input type="text" value="£"/>
Employer's NICs you paid on exercise of option	9	<input type="text" value="£"/>
Taxable amount <i>box 8 minus box 9</i>	10	<input type="text" value="£"/>
Amount taxed under PAYE	11	<input type="text" value="£"/>
Taxable amount to be entered in box 1 <i>box 10 minus box 11</i>	12	<input type="text" value="£"/>

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Working Sheet 6

Profit by reference to exercise of discounted option

box 11 in Working Sheet 4

1 £

Increase in value of shares between disqualifying event and exercise

box 6 in Working Sheet 5

2 £

Box 1 + box 2

3 £

Employer's NICs you paid on exercise of option

4 £

Taxable amount *box 3 minus box 4*

5 £

Amount taxed under PAYE

6 £

Taxable amount to go in box 1 *box 5 minus box 6*

7 £

All securities options (including approved schemes)

Assignment or release of an option

If you receive something in return for assigning, releasing or not exercising your option, or for any other reason, you will have to pay Income Tax on the cash or value you receive, unless you release your option in exchange for another option. Complete Working Sheet 7.

If you have entered into a formal NICs election to meet employer's NICs due on the exercise of the option, enter in box 5 of Working Sheet 7 below the employer's NICs you have paid. If you have entered into a NICs agreement instead, enter in box 5 only the NICs you paid to your employer before 5 June 2009.

Working Sheet 7

Name of company and share scheme or unique option reference and class of share

Date option was granted

DDMMYYYY

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
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Amount received - money or value

1 £

Amount, if any, paid for the grant of the option

2 £

Amount, if any, subject to Income Tax on the grant of the option

3 £

Gain made in connection with the option

box 1 minus box 2 minus box 3

4 £

Employer's NICs you paid on exercise of option

5 £

Taxable amount *box 4 minus box 5*

6 £

Amount taxed under PAYE	7	£
Taxable amount to go in box 1 <i>box 6 minus box 7</i>	8	£

Unapproved securities options (including share options)

If the option was not granted under a scheme approved by us, and it was not a qualifying EMI option you may be taxable on the exercise of the option.

Exercise of a securities option

You will be taxed on the difference between the market value of the securities at the time you exercised the option and the amount you paid for the securities (including the cost, if any, of the option). Complete Working Sheet 8. If you do not have to exercise the option to acquire the securities (because exercise occurs automatically either due to the passage of time or some other condition is met) you still have to fill in Working Sheet 8 as if you had exercised the option.

If you have entered into a formal NICs election to pay the employer's NICs due on the exercise of the option, enter in box 9 of Working Sheet 8 the employer's NICs you have paid. If you have entered into a NICs agreement instead, enter in box 9 only the NICs you paid to your employer before 5 June 2009.

Working Sheet 8

Name of company and securities scheme and class of security

Date option was granted DDMMYYYY

Date option was exercised DDMMYYYY

Market value of security at the date the option was exercised 1 £

Number of securities 2

Total market value of securities *box 1 x box 2* 3 £

Exercise price of each option of each security 4 £

Total price paid for the employment-related securities *box 4 x box 2* 5 £

Amount, if any, paid for the grant of the option 6 £

Amount, if any, subject to Income Tax on the grant 7 £

Gain made on the option exercise *box 3 minus (boxes 5 + 6 + 7)* 8 £

Employer's NICs you paid 9 £

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Taxable amount *box 8 minus box 9*

10 £

Amount taxed under PAYE

11 £

Taxable amount to go in box 1 *box 10 minus 11*

12 £

Grant of a securities option – residence issues

If you have been granted an option and you are not taxed in the UK on all your employment income you may be taxable on the grant of the option because of:

- your residence status, and
- the place where you carried out the duties of your employment.

In these circumstances please complete Working Sheet 9.

Working Sheet 9

Name of company and security scheme and class of shares

DDMMYYYY

Date option was granted

Market value of security

1 £

Option price of security

2 £

Discount of each security *box 1 minus box 2*

3 £

Number of securities

4

Value of option* *box 3 x box 4*

5 £

Amount, if any, you paid for the grant of the option

6 £

Taxable amount *box 5 minus box 6*

7 £

Amount taxed under PAYE

8 £

Taxable amount to go in box 1 *box 7 minus box 8*

9 £

*This is the minimum value - if you think the value was higher please enter your figure

Tax paid on grant of an option

If you paid Income Tax in connection with the grant of the option you may be able to deduct the tax paid in share schemes box 2.

The tax paid can reduce the amount of tax to pay on box 1 income. The tax in box 2 cannot exceed the tax due on the taxable amount included in box 1 (box 9 in Working Sheet 9).

Acquisition of securities as benefits

You are taxed on the benefit arising if:

- you acquire employment-related securities or an interest in securities (this may include securities acquired by the exercise of an option granted in a year in which you were not resident whether ordinarily or not ordinarily resident or resident but not ordinarily resident in the UK), and
- the price you paid when you acquired them was less than they (or fully paid securities of the same class) were worth at that time, and
- the benefit of acquiring the securities free or cheaply is not otherwise taxable.

The taxable benefit is worked out by treating the under-value at which you acquired your shares/securities as if it were an interest-free loan from your employer.

Your employer should have worked out the taxable benefit and included details on form P11D as 'Interest-free and low interest loans'. In that case the taxable amount will be included in the amount that you have returned in box 15 of the *Employment* pages.

Where your employer has not done this you can use Working Sheet 10 to calculate the taxable amount. If the amount at box 5 on this Working Sheet, together with all other loans (notional or actual) obtained by reason of your employment, does not exceed £5,000 at any time in the tax year, no benefit will arise and you do not need to continue completing the Working Sheet.

i Contacts

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Working Sheet 10

Name of company and securities scheme and class of security

Market value of a fully-paid up security when you acquired your securities 1 £

Amount you paid for each security when you acquired them 2 £

Under-value of each security *box 1 minus box 2* 3 £

Number of securities 4

Original under-value/notional loan *box 3 x box 4* 5 £

If securities were acquired before 6 April 2008, total of any further amount paid for them before 6 April 2008 6 £

Notional loan at 6 April 2008 (or date securities acquired, if later) *box 5 minus box 6* 7 £

Total of any further amounts paid during the year (2008-09) 8 £

Notional loan at 5 April 2009 (or date securities sold, if earlier) *box 7 minus box 8* 9 £

Average amount of notional loan *(box 7 + box 9) divided by 2* 10 £

Official rate of interest (%) 11

Interest for whole year *box 10 x box 11* 12 £

Number of complete tax months (6th of month to 5th of following month) throughout which loan existed in tax year 13

Taxable amount (the cash equivalent) to go in box 1 *box 12 x (box 13 divided by 12)* 14 £

There are provisions for interest relief on certain loans to acquire shares in companies and further information can be obtained from www.hmrc.gov.uk. If relief is available to you, the taxable amount above will also be the amount of that relief.

Securities sold or transferred

You will be taxed on the benefit arising if:

- you sell or transfer your securities and the total amount you have paid for those securities (or fully paid securities of the same description) is less than they were worth when you acquired them, or
- the amount outstanding on partly paid securities is released or written off.

Your employer should tell you the taxable amount and, if relevant, any tax deducted. Where you have (further) tax to pay, complete Working Sheet 11 to calculate the amount that will need to be included in share scheme box 1.

Working Sheet 11	
Name of company and securities scheme and class of security	
<input type="text"/>	
Market value of a fully-paid up security when you acquired your securities	1 £ <input type="text"/>
Amount you paid for each security when you acquired them	2 £ <input type="text"/>
Under-value of each security <i>box 1 minus box 2</i>	3 £ <input type="text"/>
Number of securities	4 <input type="text"/>
Notional loan <i>box 3 x box 4</i>	5 £ <input type="text"/>
Total of any further amounts paid for the securities before you sold or transferred them or ceased to be obliged to pay any amount of the under-value	6 £ <input type="text"/>
Taxable amount (the cash equivalent) to go in box 1 <i>box 5 minus box 6</i>	7 £ <input type="text"/>

Securities acquired from your employment

You will be taxed on securities (or an interest in securities) you get free or cheaply either by reason of your employment or from your employer (or a person connected with the employer).

Free or cheap securities

If you acquire securities from your employment and the price you paid for them was less than they were worth at that time, you will be taxed on the difference between what the securities were worth and the price you paid for them. Your employer should tell you the taxable amount and the amount of any tax deducted that is included on your P60 or, if you leave after the event, your P45. You are not required to complete the share scheme boxes because these amounts will be included in boxes 1 and 2 of the *Employment* page. Where you have further tax to pay use Working Sheet 12 to calculate the taxable amount to be included in share schemes box 1.

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Share/securities incentive schemes

Under these schemes you may be promised or allocated a number of securities but you will not acquire the securities until certain conditions are met. In these cases you will be taxed when the conditions are satisfied and you acquire the securities. Your employer should tell you the taxable amount and the amount of any tax deducted that is included on your P60 or, if you leave after the event, your P45. You are not required to complete the share schemes boxes because these amounts will be included in boxes 1 and 2 of the *Employment* pages. Where you have further tax to pay use Working Sheet 12 to calculate the taxable amount to be included in share schemes box 1.

Restricted securities

Where the securities acquired are restricted in some way, the market value of those securities may be less than the value of similar, unrestricted securities. If on acquiring the securities you and your employer have together elected to ignore some or all of those restrictions, the market value for box 1 of Working Sheet 12 should reflect the unrestricted value of the securities (to the extent that you have elected to ignore those restrictions).

Convertible securities

Where securities are acquired, and those securities can be converted into securities of a different description, the market value for box 1 of Working Sheet 12 should reflect the market value of those securities as if they were not capable of being converted.

Working Sheet 12

Name of company and securities scheme and class of security

Market value of each security

1 £

Number of securities

2

Total market value of securities bought *box 1 x box 2*

3 £

Amount paid for each security if any

4 £

Total amount paid for securities *box 2 x box 4*

5 £

Taxable amount to go in box 1 *box 3 minus box 5*

6 £

Securities with artificially depressed market value

Income Tax may arise on the acquisition of the securities where the market value of employment-related securities has been reduced by at least 10% at the time of acquisition. The additional tax will not apply where the shares acquired are subject to a risk of forfeiture lasting five years or less and you have not elected with your employer to pay tax at the time of acquisition.

Your employer should tell you the taxable amount and the amount of any tax deducted that is included on your P60 or, if you leave after the event, your P45. You are not required to complete the share schemes boxes because these amounts will be included in boxes 1 and 2 of the *Employment* page. Where you have further tax to pay use Working Sheet 13 to calculate the taxable amount to be included in share schemes box 1.

Working Sheet 13	
Name of company and securities scheme and class of security	
<input type="text"/>	
Non-reduced market value of each security. <i>Where the securities acquired are restricted securities, the non-reduced market value in box 1 should be determined as though the securities were non-restricted.</i>	1 £ <input type="text"/>
Reduced market value of each security or, if greater, the amount of consideration given for the acquisition of the securities	2 £ <input type="text"/>
Taxable reduction for each security <i>box 1 minus box 2</i>	3 £ <input type="text"/>
Number of securities	4 <input type="text"/>
Taxable amount to go in box 1 <i>box 3 x box 4</i>	5 £ <input type="text"/>

Securities acquired: post acquisition changes

If you have acquired employment-related securities or an interest in such securities not under an offer to the public generally, you may be taxed on:

- a proportion of the value of the securities after you acquire them
- consideration received in connection with the securities
- any special benefits you receive by virtue of your ownership of the securities
- gains arising in connection with convertible securities.

This is in addition to the Income Tax due when they were first acquired.

Restricted securities acquired on or after 16 April 2003

Where restricted securities have been acquired on or after 16 April 2003 Income Tax will be due each time there is a chargeable event in relation to those securities. Your employer should be able to tell you whether there has been a chargeable event or if the securities qualify for exemption. If when you acquired the securities you elected with your employer to pay Income Tax at that time as if the securities were unrestricted, you will not have any further Income Tax to pay.

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How to calculate the Income Tax

For a spreadsheet calculator to work out the taxable amount please email the Share Schemes team at shareschemes@hmrc.gsi.gov.uk or you can calculate the taxable amount by using this formula:

taxable amount = $UMV \times (IUP \text{ minus } PCP \text{ minus } OP) \text{ minus } CE$

where

UMV = unrestricted market value

IUP = initial uncharged proportion

PCP = previously charged proportion

OP = outstanding proportion

CE = consideration given and expenses incurred.

Working Sheets 14 and 15 on pages AiN 21 and AiN 22 help you calculate the taxable amount. Use Working Sheet 14 for the first chargeable event arising after acquisition where the chargeable event arises from the sale of the securities or if there are no outstanding restrictions to be lifted. Use Working Sheet 15 in all other cases.

If you acquired restricted shares before 16 April 2003, contact the Share Schemes Team.

Working Sheet 14

Name of company and securities scheme and class of security

Step 1 - Unrestricted market value (UMV)

Unrestricted market value of the securities immediately after the chargeable event

1	£
---	---

Step 2 - Initial uncharged proportion (IUP)

Unrestricted market value of the securities on acquisition

2	£
---	---

Amount of any consideration given to acquire the securities

3	£
---	---

Any amount charged to tax on the acquisition of the securities

4	£
---	---

UMV minus deductible amounts *box 2 minus box 3 minus box 4*

5	£
---	---

IUP *box 5 divided by box 1. If the entry in box 6 is nil or a minus figure, there will be no taxable income from this chargeable event*

6	£
---	---

Step 3 - Taxable amount

UMV X IUP *box 1 x box 6*

7	£
---	---

Total of expenses incurred and any amount paid to lift or vary the restriction (CE)

8	£
---	---

Taxable amount *box 7 minus box 8*

9 £

Step 4 – Taxable amount

Only complete this step if the chargeable event is the sale of securities, and the consideration received is less than the market value of securities immediately after the sale

Total value of consideration given for the sale

10 £

Actual market value of the securities after the sale

11 £

Taxable amount *box 9 x box 10 divided by box 11*

12 £

Taxable amount (box 9 or box 12) to go in box 1

Working Sheet 15

Name of company and securities scheme and class of security

Step 1 – Unrestricted market value (UMV)

Unrestricted market value of the securities immediately after the chargeable event

1 £

Step 2 – Initial uncharged proportion (IUP)

Unrestricted market value of the securities on acquisition

2 £

Amount of any consideration given to acquire the securities

3 £

Any amount charged to tax on the acquisition of the securities

4 £

UMV minus deductible amounts *box 2 minus box 3 minus box 4*

5 £

IUP *box 5 divided by box 1. If the entry in box 6 is nil or a minus figure, there will be no taxable income from this chargeable event.*

6 £

Step 3 – Outstanding proportion (OP)

Apply this step if any restrictions remain after this chargeable event

Actual market value of the securities immediately after the chargeable event

7 £

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OP (box 1 minus box 7) divided by box 1

8 £

Step 4 - Previously charged proportion (PCP)

Which chargeable event, since acquisition of the securities, is this?

- For the first chargeable event PCP is nil.
- For the second, PCP is the box 9 value from the Working Sheet for the first chargeable event relating to these securities.
- For subsequent chargeable events, PCP is the total of the box 10 values for each chargeable event relating to these securities.

Previously charged proportion

9 £

Step 5 - Taxable amount

Apply this step and check Step 6 below

IUP minus PCP minus OP box 6 minus box 9 minus box 8

10 £

Box 1 x box 10

11 £

Total expenses incurred and any amount paid to lift or vary the restriction (CE)

12 £

Taxable amount box 11 minus box 12

13 £

Step 6 - Taxable amount

Only complete this step if the chargeable event is the sale of securities, and the consideration received is less than the market value of securities immediately after the sale

Total value of consideration given for the sale

14 £

Actual market value of the securities after the sale

15 £

Taxable amount box 13 x box 14 divided by box 15

16 £

Taxable amount (box 13 or box 16) to go in box 1

Convertible securities

If you acquired employment-related securities that carry an immediate or potential right to be converted into securities of a different description, Income Tax will be due when a chargeable event arises from 6 April 2008. A tax charge arises each time there is a chargeable event.

Your employer should be able to tell you whether there has been a chargeable event or if the securities qualify for exemption.

Use Working Sheet 16, 17 or 18 to work out the taxable amount.

Working Sheet 16

Conversion of convertible securities

Name of company and securities scheme and class of security

Market value of each new security after conversion 1 £

Market value of each security on conversion as if the security was not convertible 2 £

Gain for each security *box 1 minus box 2* 3 £

Number of securities 4

Total gain *box 3 x box 4* 5 £

Deductible amounts

Consideration paid for the right to convert the securities* 6 £

Total consideration paid for the actual conversion of the securities 7 £

Total expenses incurred in connection with the conversion 8 £

Total deductible amounts *box 6 + box 7 + box 8* 9 £

Taxable amount to go in box 1 *box 5 minus box 9* 10 £

* This is the excess of the amount paid for the securities and the market value of the convertible securities when they were acquired, ignoring the right to convert

Working Sheet 17

Disposal of convertible securities

Name of company and securities scheme and class of security

Amount of consideration received on disposal 1 £

Market value of each security on disposal as if the security was not convertible 2 £

Number of securities disposed of 3

Total market value of securities disposed of *box 2 x box 3* 4 £

Taxable amount to go in *box 1 minus box 4* 5 £

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Working Sheet 18

Receipt of consideration for the release of, or in connection with, the conversion right

Name of company and securities scheme and class of security

Amount of consideration or value of benefit received for each security

1	£
---	---

Number of securities affected

2	
---	--

Taxable amount to go in box 1 *box 1 x box 2*

3	£
---	---

Securities with an artificially enhanced market value

Income Tax may arise where the market value of your employment-related securities is increased by more than 10% at the relevant date by non-commercial actions (something done other than for a genuine commercial reason). The relevant date will be either:

- 5 April 2009, or
- the date you disposed of the securities, if earlier.

Use Working Sheet 19 to work out the taxable amount.

Working Sheet 19

Name of company and securities scheme and class of security

Market value of each share at end of relevant date

1	£
---	---

Market value of each share on same date ignoring effect of artificial increase

2	£
---	---

Increase of each share *box 1 minus box 2*

3	£
---	---

Number of shares

4	
---	--

Taxable amount to go in box 1 *box 3 x box 4*

5	£
---	---

Securities with an artificially reduced market value

After you have acquired your securities further Income Tax may be due where the market value of your securities has been reduced by more than 10% by non-commercial actions, something done other than for a genuine commercial reason, (artificially reduced).

Restricted securities

Where restricted securities are acquired on or after 16 April 2003 Income Tax may be due if the market value of your securities has been artificially reduced within the period of seven years ending on the relevant date. The relevant date will be either:

- 5 April 2009, or
- the date of the chargeable event, if earlier.

Complete Working Sheet 14 or 15 entering in box 1 the unrestricted market value of the securities on the relevant date ignoring the effect of the artificial reduction to calculate the taxable amount.

Securities carrying a risk of forfeiture

Securities carrying a risk of forfeiture acquired on or after 16 April 2003 should be treated in the same way as restricted securities (see above) where there has been an artificial reduction in the seven-year period ending on the date the securities were acquired.

Convertible securities

Additional Income Tax may be due if the market value of your securities has been artificially reduced by more than 10% within the period of seven years ending on the date of the chargeable event.

Complete Working Sheet 16 entering in box 1 the market value of the securities on the date of the chargeable event ignoring the artificial reduction in value. Where you have given consideration for the right to convert the securities, the allowable deduction in box 6 is the excess of the consideration given and the non-convertible market value of the securities when they were acquired, ignoring the artificial reduction in market value.

Consideration or benefits received

Where any consideration or benefits received have been artificially reduced within the period of seven years ending on receipt of the consideration or benefits, complete the following Working Sheets entering in the boxes indicated the consideration or benefits received, ignoring the artificial reduction:

- the disposal of restricted securities – box 1, Working Sheet 14 or 15
- the disposal of convertible securities – box 1, Working Sheet 17
- the release or otherwise in connection with the conversion rights – box 1, Working Sheet 18
- the disposal of securities for more than market value – box 1, Working Sheet 20
- special benefits – box 1, Working Sheet 21.

Securities disposed of for more than their market value

Income Tax is due where you or a person connected with you dispose of your securities so that neither of you has any further entitlement to them and the consideration received is more than the market value at the time of disposal.

Complete Working Sheet 20 to work out the taxable amount.

i Contacts

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Working Sheet 20

Name of company and securities scheme and class of security

Consideration given on disposal

1 £

Market value of the securities at the time of disposal

2 £

Expenses incurred in connection with the disposal

3 £

Taxable amount to go in box 1 *box 1 minus (box 2 + box 3)*

4 £

Special benefits accruing to holders of securities

Income Tax is due on the value of any benefits received by you or a person connected with you because of your ownership of employment-related securities at the time you received them. If the benefits are charged to tax elsewhere you will not have to pay tax again.

Complete Working Sheet 21 to work out the taxable amount.

Working Sheet 21

Name of company and securities scheme and class of security

Value of special benefit received for each security

1 £

Number of securities

2

Taxable amount to go in box 1 *box 1 x box 2*

3 £

Taxable specific income from employment-related securities: effect of remittance basis from 6 April 2008

New rules regarding the remittance basis for those individuals who are resident in the UK but are either not ordinarily resident or not domiciled in the UK, apply to employment-related securities and securities options acquired on or after 6 April 2008. This note provides some details of the way in which employment-related securities acquired from this date are taxed. **The new rules are complex you should refer for guidance to the *Residence, remittance basis etc. notes and the International section of our Employment-Related Securities Manual (ERMS) at www.hmrc.gov.uk***

The remittance basis for employment related securities

Where a taxable amount arises in the circumstances covered in pages AiN 13 to 27 and you are subject to the remittance basis, part of the amount may be 'foreign securities income'. Foreign securities income should not be included as part of the taxable amount unless it has been remitted to the UK in the year. Guidance on the circumstances in which foreign securities income is treated as remitted to the UK can be found in the International section of the Employment-Related Securities Manual (ERSM). The calculation of what is foreign securities income is also explained in the International section of the ERSM.

If your employer had enough information to do so, it may have calculated any foreign securities income and deducted this from the amount to be taxed under PAYE and to be included as a taxable amount on your P60. If this has been done correctly, then you will only need to enter as a taxable amount in respect of share schemes in box 1 (Page Ai 2) any amount of foreign securities income that has been remitted to the UK in the year.

Employment lump sums, compensation and deductions

Boxes 3 to 10

These notes will help you work out what figures to put in boxes 3 to 10 if you have received certain large payments (usually in cash and excluding pensions) or benefits from your employer or former employer.

Such payments may occur:

- when your job ends
- after your job has ended but which were agreed when it ended
- when your terms of employment change
- in anticipation of retirement or on or after retirement or death – if made from an Employer Financed Retirement Benefits Scheme (EFRBS) (that is, a scheme providing benefits which include retirement and death benefits; it is usually set up by your employer but not registered by us)
- when you receive payments or other consideration for a restrictive covenant.

If all you have is a redundancy payment up to £30,000 against which your employer has allowed an exemption, just fill in box 9 with the amount of the payment. For example, if you received a redundancy payment of £10,000 it would be covered by the £30,000 exemption so leave box 5 blank and enter £10,000 in box 9. If your redundancy payment is more than the £30,000 exemption limit, enter the amount over the limit in box 5, the tax deducted in box 6 and the £30,000 limit in box 9.

If your payment was £40,000 you would enter £10,000 in box 5, the tax deducted in box 6 and £30,000 in box 9.

If the payment was less straightforward read through these notes before you start to fill in the boxes in the Working Sheet or transfer information to boxes 3 to 10. If you need more help please contact us, or speak to your tax adviser.

i Contacts

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- the number printed on page TR 1 of your Return
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- or go to www.hmrc.gov.uk

Working Sheet 22

Start by working out the total due to you in the year to 5 April 2009 before any tax was taken off the payments. If any non-cash benefits were provided you will have to work out their cash value or equivalent; if you need help with this, please contact us.

Exclude from this total any:

- payments from HM Revenue & Customs registered pension schemes
- payments from foreign government retirement benefit schemes
- benefits (other than relevant benefits from an EFRBS, see the note for box C) received or provided while you were still an employee
- payment for counselling services received on leaving
- legal costs paid by your employer to your solicitor as part of a termination settlement compensating for the loss of your employment
- special payments made by your employer into a registered pension scheme as part of the termination arrangements
- lump sums paid to members of the armed forces paid under Royal Warrant, Queen's Order or Order in Council.

Total due before tax taken off

A £

Box A now has to be split into three parts: box B - taxable lump sums, box C - relevant benefits from any EFRBS and box D - other receipts.

Box B is the total of:

- any salary included in the lump sum that was due to you on leaving
- holiday pay
- payments in lieu of notice - whether contractual or paid habitually by the employer
- bonus payments
- compensation for changes in your employment terms
- payments made to guarantee your future conduct ('restrictive covenants') for example, agreeing not to compete with your former employer
- any other contractual amount or benefit excluding contractual redundancy payments or benefits.

Copy box B to box 3

B £

Box C is for the total of 'relevant benefits' provided to you under an EFRBS (including an overseas pensions scheme that is not UK registered). Go to www.hmrc.gov.uk for a definition of 'relevant benefits' or ask us, if you are not sure.

C £

Box D is for other receipts and is simply box A minus boxes B and C.

If you want to check, $box\ D + box\ C + box\ B = box\ A$

D £

Now work out what can reduce the amount that you will have to pay tax on

If you have received any specific payment (included in box D above) for any physical or mental impairment when your employment ended or terms changed, enter it in box E.

If box E equals box D, go to box I.

E £

If at some time during your employment you were 'not resident and ordinarily resident in the UK' or you qualified for the Seafarers' Earnings Deduction (or before 6 April 1998 the Foreign Earnings Deduction) or you were 'resident and ordinarily resident' but non-domiciled and undertaking non-UK duties for a foreign employer, that period is 'foreign service'. Work out your foreign service exemption to go in box F, otherwise move on to the notes for box G.

If:

- 75% of your service was foreign service (see above) or
- your last 10 years were foreign service and overall your service was longer than 10 years, or
- your total service was more than 20 years and half was foreign service (including any 10 of the last 20 years), you get full foreign service exemption. Enter in box F the amount included in box D that was for the job in which you had foreign service.

If the amount in box F is the same as box D, go to box I

F £

You may still get some reduction if you had some foreign service but do not qualify for the full foreign service exemption. To calculate this:

- work out your total service in the job in months
- work out the part of it that was foreign service, also in months
- take off £30,000 from the amount included in box D for your foreign service (do not alter box D itself)
- multiply the result from the previous bullet by the number of foreign service months divided by the number of months in service overall.

Put the result in box G.

G £

Box H is for exemptions of amounts included in box D, such as redundancy payments. The maximum exemption is £30,000 for each job but if box D is less than £30,000 you can only enter in box H the amount in box D. Jobs with the same employer, or with employers under the same or common control, count as one job. For example, if you received redundancy payments from two companies in the same group, you only get one exemption of up to £30,000. If your termination settlement extends to more than one year you can carry forward any unused exemption.

Copy box H to box 9

H £

Box I is simply boxes E, F, G and H added together.

I £

Box J deals with further exemptions that may reduce the figure in box C. Add together any amounts included in box C that were:

- funded by contributions made by your employer before 6 April 2006 but you were taxed on the contributions in the year they were made (we may ask you about these)

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- paid because of your own contributions
- from an overseas scheme (there are more conditions attached to this - you must qualify under Extra Statutory Concession A10 - ask us about this if you are not sure).

Copy box J to box 8

J £

Now work out what goes in the remaining boxes.

In box K, enter box C minus box J. Copy box K to box 4

K £

In box L, enter box D minus box I. Copy box L to box 5

L £

And, in box M, enter the total of boxes E, F and G. Copy box M to box 10

M £

Your employer may have taken PAYE tax off some or all of the payments. If you have not included that tax in box 2 of the *Employment* page of your Tax Return, enter it in box 6.

Box 11 Seafarers' Earnings Deduction

A seafarer is 'someone who performs their employment duties on a ship'. Offshore installations, used in the oil and gas industry, are not ships and workers on mobile offshore drilling units, semi-submersibles and jack-up rigs are not 'seafarers' and are not entitled to the deduction. If you think you qualify, ask the Orderline for Help Sheet 205 *Seafarers' Earnings Deduction*. The Help Sheet will take you through the 'eligible' period calculation and work out the deduction to be entered in box 11. If you qualify for the deduction, enter the names of the ships on which you performed your employment duties in box 17 on page Ai 4.

Box 12 Foreign earnings not taxable in the UK

You will need Help Sheet 211 *Employment – residence and domicile issues* to work out the part of your income and receipts which is not liable to UK Income Tax in the year to 5 April 2009 if:

- you are, will be or have been, non-resident or claiming split-year treatment, or
- you have been not ordinarily resident or non-domiciled or
- you are, or will be, not ordinarily resident or non-domiciled and the remittance basis rules apply to some or all of your earnings (see *residence, remittance basis etc.* notes) or
- you received income in a foreign country that you could not bring to this country because of exchange controls or a shortage of foreign currency in that country.

Enter the amount not liable this year in box 12. However, you may have tax to pay on this amount (or part of it) in an earlier or later year or tax may be payable in another country on the same amount.

Box 13 Foreign tax for which tax credit relief not claimed

Enter in box 13 the sterling equivalent of any foreign tax you have paid on your employment income and for which you are not claiming tax credit relief.

Box 14 Exempt employers' contributions to an overseas pension scheme

If you think your employer has made such contributions and that this box may apply to you, please ask the Orderline for Help Sheet 344 *Exempt employers' contributions to an overseas pension scheme* or go to www.hmrc.gov.uk for more information.

Other tax reliefs

Box 1 Subscriptions for Venture Capital Trust shares

If you have subscribed for shares in Venture Capital Trusts and you were aged 18 or over when the shares were issued you are entitled to tax relief.

The amount of relief will be the smaller of:

- the amount you subscribed (up to a maximum of £200,000) at 30%, or
- the amount that reduces your tax bill to zero for the year.

Enter in box 1 the amount you subscribed, up to £200,000. Please keep any certificates the trusts provide.

Box 2 Subscriptions for shares under the Enterprise Investment Scheme

If you invested in shares that were issued during the year to 5 April 2009 (or during the following six months in some cases) you may be able to claim Income Tax relief under the Enterprise Investment Scheme. To qualify for relief you must have received either form EIS3, from the company you invested in, or form EIS5, from the fund manager of an approved investment fund. Help Sheet 341 *Enterprise Investment Scheme – Income Tax relief* explains the qualifying conditions for tax relief.

In box 2 enter the amount of relief you are claiming (up to a maximum of £500,000) for the year to 5 April 2009, and in box 17 on page Ai 4, enter:

- the name of the company invested in
- the total amount of the subscription on which you are claiming relief for the year to 5 April 2009. (If you have subscribed more than £500,000, Help Sheet 341 *Enterprise Investment Scheme – Income Tax relief* explains how relief can be allocated to the shares)
- the date of issue of the shares
- the name of our office authorising the issue of the EIS3 or EIS5 and their reference.

Box 3 Community Investment Tax Relief

To qualify for Community Investment Tax Relief:

- your investment in a Community Development Finance Institution within the Community Investment Tax Relief Scheme must have been made before 5 April 2009, and
- you must have received a tax relief certificate in respect of the investment, and
- you must retain the investment for at least five years and satisfy the other rules of the scheme.

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If you satisfy the rules, you will be able to claim tax relief in respect of the same investment for five consecutive years (the first being the one when the investment was first made). You must claim annually on your Tax Return. Help Sheet 237 *Community Investment Tax Relief* has more information.

The amount of relief for each year is the smaller of:

- 5% of the amount invested (and which remains invested), or
- the amount that reduces your tax bill to zero for that year.

Enter in box 3 the amount on which relief is claimed.

Box 4 Annuities and annual payments made

If you:

- pay royalties to someone for your use of a UK patent (but not a foreign or world-wide patent), or
- make annual payments to someone under a legal obligation in connection with your trade or profession,

you must withhold Income Tax at basic rate from the amount you pay. For example, if the annual payment or patent royalty you should pay is £100 ('the gross amount'), you must withhold 20% of this, or £20, and pay the other person £80.

You should enter the net amount paid in the year to 5 April 2009 – that is the amount you actually pay to the other person – in box 4. You will get tax relief for the gross amount. But in addition, the Income Tax you have withheld is paid as part of the total tax due on your income.

If you have already claimed the royalty or annual payment as a business expense on the *Self-employment* pages, you should make a note of the amount you have paid in the 'Any other information' box, box 19 on page TR 6 of your Return or box 102 on the *Self-employment (full)* pages.

Box 5 Qualifying loan interest payable in the year

You may be entitled to claim tax relief for interest payable on a loan or alternative finance arrangement used to buy:

- shares in, or to fund, a 'close' company (contact us if you are not sure if the company is 'close')
- an interest in, or to fund, a partnership
- plant or machinery for your work (but make sure you do not claim this interest twice – you will if you have already deducted it as a business expense).

If you receive a low-interest or interest-free loan from your employer for one of the above purposes you may be able to claim relief for any benefit taxable on you.

Enter the amount you are claiming in box 5, but if you need more information about any of these loans, please contact us. Help Sheet 340 *Interest and alternative finance payments eligible for relief on qualifying loans and alternative finance arrangements* has more information.

Box 6 Post-cessation expenses and certain other losses

A claim for this relief must be made by 31 January 2010. Enter the total you are claiming in box 6. (If, exceptionally, you are claiming relief against capital gains please provide details in box 17 on page Ai 4.)

If, since you ceased in business, you have had to pay expenses in connection with that business, you may be able to get tax relief on those payments (if made within seven years of your cessation). The tax relief will be given for the tax year in which the payments were made.

Enter in box 6 payments, made in the year to 5 April 2009, that were for:

- making good, or as damages for, defective work done, or defective services or goods supplied, or
- any legal or professional costs for any claim against you for that defective work etc., or
- insurance against such expenses, or
- recovering debts that were taken into account in calculating your business profits (before you ceased).

Additionally debts that have become bad or have been released under a formal voluntary arrangement within seven years of the business ceasing, may be included in box 6.

If, while you were in business, you had reduced your taxable profits by expenses that had not actually been paid and those expenses are still unpaid at 5 April 2009, reduce the amount you are claiming now by the unpaid amount.

If you recover any of the amounts spent, perhaps from an insurance policy or from a third party, you should enter the amounts received in the 'Other UK income' section on page TR 3 of your Tax Return.

Pre-incorporation losses

If you:

- have carried forward losses from your business to go against future profits
 - transfer your business to a company before all those losses have been used
 - received, solely or mainly, shares in that company in exchange for the transfer of your business, and
 - are the beneficial owner of the shares and the company has carried on business throughout the year (or from the date of transfer to 5 April)
- then you may be able to set any remaining losses against your income from the company.

Relief for former employee's liabilities and costs

If the amount of liabilities or costs to be entered in box 6, relating to your actual or alleged wrongful acts in a former employment, exceed your total income in the year you may be able to claim the excess against capital gains. There are special rules limiting the relief if you did not pay for these costs etc. yourself; please contact us if you are not sure what to enter in box 6.

Box 7 *Maintenance payments*

If:

- you, or your former spouse or civil partner, were born before 6 April 1935, and
- you make payments to maintain your former spouse or civil partner, or your child, and
- those payments are made under a court order, or a Child Support Agency (CSA) assessment, or a written agreement

then you may be entitled to tax relief. Relief (at 10%) is available on payments up to £2,540 in total. You must meet all four of the following conditions:

- the court order, CSA assessment or written agreement is made under the

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laws of one of the following – UK, Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain or Sweden

- the payments are made to your separated or former spouse or civil partner or, although paid to the Department for Work and Pensions (in Northern Ireland the SSA), are treated as if made to them
- your former spouse has not remarried or your former civil partner has not entered into a further civil partnership (if they have, the payments you made (not exceeding the maximum £2,540) up to the date of the remarriage or civil partnership will qualify for relief)
- the payments are for their own maintenance.

In addition, if the first condition is met and the payments you make are to the other parent for the maintenance of your child (or a child you have treated as part of your family) who is under 21, then you can get tax relief.

Enter in box 7 the lower of the payments you made or £2,540. Tax relief will be 10% of this figure.

Box 8 *Payments to a trade union etc. for death benefits*

If part of your trade union subscription entitles you to a pension, life assurance or funeral benefits, then you are entitled to tax relief on an amount equal to one half of the part of your union subscription (up to a maximum £100) which provides the benefits. Enter this amount in box 8. Your union representative will be able to tell you how much, if any, of your subscription was for these benefits.

Box 9 *Relief claimed for employer's compulsory widow's, widower's or orphan's benefit scheme – (max £20)*

Usually you will be given tax relief, through the PAYE system, for your payments to an employer's compulsory scheme to provide a pension to your spouse or civil partner, or financial support for your children, in the event of your death. Very occasionally, for example, if you have to make a lump sum contribution to the scheme on your retirement, you do not get all the relief you are entitled to through PAYE. The maximum relief you can have is £100 at the basic rate of 20% (£20). Work out the tax relief you have not been given and enter it in box 9 (up to the maximum £20).

Box 10 *Relief claimed on a qualifying distribution on the redemption of bonus shares or securities*

The redemption of bonus shares or securities is a qualifying distribution and is paid with a tax credit. If you pay tax at the higher rate(s) you will have further tax to pay on this income (which you will have included in the Dividends box, box 3 on page TR 3 of your Tax Return). But you are entitled to an allowance, in terms of tax, for the higher rate tax you paid when those bonus shares or securities were issued. This allowance means the income is not taxed twice.

Enter in box 10 the higher rate tax paid on the non-qualifying distribution of those shares (just the higher rate tax, not the tax credit or lower rate tax equivalent) – this will mean going back to the tax year in which they were issued and checking how much tax you paid on that income then.

Age-related married couple's allowance

Boxes 1 to 11

Married couple's allowance can only be claimed if either you, or your spouse or civil partner (following the introduction of the Civil Partnership Act 2004) were born before 6 April 1935, and:

- you are a married man or married woman who married before 5 December 2005, or
- you are a married man, married woman or civil partner who married or formed a civil partnership on or after 5 December 2005.

The allowance is made up of two amounts, a minimum amount (worth up to £254) plus an age-related amount dependent on the income of the husband (for marriages before 5 December 2005), or the person with the higher income (for marriages and civil partnerships formed on or after 5 December 2005).

A married couple or civil partners may share the minimum amount of the allowance. But you must have asked us already to do this (either before 5 April 2008 or, if you married or formed a civil partnership during the year to 5 April 2009, by that date). If you want to change the way the allowance is given for 2010–11 please contact us (it is already too late to make any change for 2009–10).

Surplus married couple's allowance

Husband (marriages up to 5 December 2005) **or spouse or civil partner with higher income** (marriages and civil partnerships on or after 5 December 2005)

If you cannot use all of your married couple's allowance you can transfer any surplus to your spouse or civil partner. You are entitled to do this if:

- you did not have enough income in the year ended 5 April 2009 to use up the allowance, and
- you lived with your spouse or civil partner for part of that year.

If you want your spouse or civil partner to have your surplus allowance put an 'x' in box 11. Remember to also complete box 1 and where appropriate boxes 2 to 5 and box 9.

Wife (marriages up to 5 December 2005) **or spouse or civil partner with lower income** (marriages and civil partnerships on or after 5 December 2005) – completion of boxes 6 to 11

If your spouse or civil partner did not have enough income in the year ended 5 April 2009 to use any or all of their married couple's allowance, you can ask for the surplus to be transferred to you. You can then use this surplus to reduce the Income Tax you have to pay. If you are calculating your own tax liability, you may need to ask your spouse or civil partner for the amount of the surplus allowance claimed to enter in box [A152] on the *Tax calculation summary notes* Working Sheet (and in box 12 on the *Tax calculation summary* pages). If you are not sure about the amount, ask us or your tax adviser. But if you are not calculating your tax, you do not have to enter the amount of the surplus allowance – we can work this out.

The notes below tell you which boxes to complete on the *Additional information* pages. This depends on whether you previously decided to share the minimum amount of married couple's allowance.

a. If you are now claiming your spouse or civil partner's surplus married couple's allowance and you previously:

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- elected to receive half of the minimum amount of married couple's allowance (you would have done this by completing a form 18 election and we agreed), or
 - you and your spouse or civil partner jointly elected that you should have all of the minimum amount of married couple's allowance (you would have done this by completing a form 18 election and we agreed)
- complete your claim by entering the details as appropriate in boxes 6 to 11.
- b. If you are now claiming any surplus married couple's allowance from your spouse or civil partner and have not previously elected to receive half or all of the minimum amount of married couple's allowance, complete your claim by:
- entering an 'x' in box 10, and
 - entering your spouse or civil partner's name in the 'Additional information', box 17, on page Ai 4. **Do not** complete box 8.
- c. If you are not claiming any surplus married couple's allowance but you previously elected (you would have done this by completing a form 18 election and we agreed) to receive half or all of the minimum married couple's allowance, complete your claim by entering the details as appropriate in boxes 6 to 9.
- If you are unsure about claiming or transferring surplus allowances, ask us or your tax adviser.

Special rules if you married or formed a civil partnership in the year ended 5 April 2009

If you married or formed a civil partnership during the year ended 5 April 2009, you can claim 1/12 of the married couple's allowance for each tax month (or part of a tax month) of your marriage or civil partnership (the tax month runs from 6th of one month to 5th of the next).

Occasionally, you may have already established a claim to married couple's allowance for the tax year in which you remarry or form a civil partnership. This can happen when perhaps a spouse or civil partner dies and you decide to remarry or form another civil partnership before the following 5 April. In these circumstances, it is almost always more advantageous to continue claiming married couple's allowance in 2008–09 for your former spouse or civil partner rather than to make a time-apportioned claim for your new spouse or civil partner. On this Tax Return you should enter your previous spouse or civil partner's name in box 1 and their date of birth in box 5.

Other information

Income Tax losses

Box 1 *Earlier years' losses*

Income losses cannot be set against all the types of income returned in box 15 of the 'Other UK income' section of your Tax Return (page TR 3). For example, you cannot set losses against annual payments. If you need more information about this, ask the Orderline for Help Sheet 325 *Other taxable income*. Enter in box 1 the amount of any loss brought forward to be set against your 'Other UK income' for 2008–09.

Box 2 *Total unused losses carried forward*

Enter in box 2 the total income losses you are claiming to carry forward to a later year. This will include the amount of any loss for 2008–09 that you cannot set against box 15 ‘Other UK income’ and any unused allowable losses brought forward from earlier years.

Boxes 3 and 4

Enter in box 3 the amount of the 2009–10 trading (or possibly certain capital) losses you are claiming relief for and, in box 4, the tax year in which the loss is to be relieved, for example, 2008–09.

Pension savings tax charges and taxable lump sums from overseas pension schemes

Boxes 5 to 14

Most people will not need to complete boxes 5 to 14 and if you do, you may have a tax adviser to help you.

If your pension scheme is a UK-registered pension scheme the pension scheme administrator should tell you if any pension savings tax charges apply.

If any of the tax charges in boxes 5 to 10 apply, you will need Help Sheet 345 *Pensions – tax charges on any excess over the Lifetime Allowance and the Annual Allowance, and on unauthorised payments*.

Full guidance about all the pension savings tax charges that may arise is at www.hmrc.gov.uk but very briefly:

- a ‘Lifetime Allowance Excess’ tax charge may apply if you exceeded the Standard Lifetime Allowance of £1,650,000 when you started to receive your pension benefits from a UK-registered pension scheme during 2008–09. No charge will be due if you notified us of your intention to rely on an Enhanced Lifetime Allowance (you will know if you have)
- an ‘Annual Allowance Excess’ tax charge may apply if the total amount saved toward your pension benefits in registered pension schemes during ‘pension input periods’ ending in 2008–09 (and overseas pension schemes, with some modifications) exceeded the Annual Allowance of £235,000. The amount saved towards your pension benefits includes
 - all your contributions (and your employer’s on your behalf) into money purchase arrangements, and
 - a figure equivalent to 10 times the increase in the amount of any defined benefitsduring the pension input periods covered by this Tax Return. Again, no tax charge will arise if you notified your intention to rely on enhanced protection of pension rights
- the unauthorised payments tax charge applies when an unauthorised payment is made to, or for, you. If it came from a UK-registered pension scheme, the scheme administrator should have told you. The charge is at 40% of the value of the unauthorised payment. If such payments exceed a ‘surcharge threshold’, further tax, at 15% of the amount of the payment, will be due.

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The pension savings tax charges may also apply (with some modifications) if you are a member of an overseas pension scheme that is not registered in the UK. But you can ignore boxes 5 to 14 if you do not have UK tax-relieved funds, or funds transferred from a UK-registered pension scheme, in an overseas pension scheme. If you do have either of those funds then you can find guidance on whether or not you need to make entries in these boxes in Help Sheet 346 *Pension savings tax charges – guidance for members of overseas pensions schemes that are not UK registered pension schemes*. If you are not sure if you have such funds go to www.hmrc.gov.uk for more information.

If you are a member of an overseas pension scheme and are also a member of a UK-registered pension scheme you may need both Help Sheets.

Disclosed tax avoidance schemes

Box 15 *The scheme reference number (SRN)*

Enter the scheme reference number of any scheme or arrangement disclosed to HM Revenue & Customs that you have used to give you a tax or National Insurance contributions advantage now or in the future. In most cases you will have received the SRN from the scheme promoter, but in some cases you may have received the number direct from HM Revenue & Customs.

Advantage here means:

- relief, or increased relief, from, or
- repayment, or increased repayment of, or
- the avoidance of an assessment, or possible assessment, to, or
- the avoidance or reduction of a charge to, or
- the deferral of any payment of, or the advancement of repayment of, or
- the avoidance of any obligation to deduct or account for Income Tax, Capital Gains Tax or National Insurance contributions.

If you are an employer and the notifiable arrangements concerned are arrangements connected with employment, you should not enter the SRN in this return. SRNs for employment products should be notified separately using form AAG4, available from www.hmrc.gov.uk or from the Orderline.

If you fail to report the SRN for a scheme or arrangement, you will be liable to a penalty.

Box 16 *The tax year in which the expected advantage arises*

Enter the year in which the expected tax or National Insurance contributions advantage first arises. This may be the year to 5 April 2009 or any date in the future. It may be an earlier year if this is the first time you have reported the SRN. Even if you have reported the SRN in a previous return, you must continue to report it until there is no longer a tax advantage (for example, until losses created by the scheme have been used up).

Further information on the rules for the disclosure of tax avoidance schemes is at www.hmrc.gov.uk (search using 'disclosure avoidance guidance') or you can contact us.