MONEY BOX LIVE

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DUGGLEBY: The tax year is full of dates and deadlines you have to meet if you're to avoid penalties, interest and maybe surcharges as well. One particularly important change you may not have noticed is the deadline for sending back paper based tax returns. The Revenue are very keen to persuade as many people as possible to use the Internet and, if you do, then the deadline remains 31st January next year. But, if like me, you prefer to send it in by post, then the new deadline is 31st October. Otherwise you face an automatic £100 penalty. So what's the good news? Well for employees and those with occupational pensions, this month sees the £600 increase in personal allowances being implemented. It's done through the PAYE code. It'll save basic rate but not higher rate taxpayers £120 a year. But there are some complications for others. And indeed there are other issues you may wish to raise - for example on capital gains tax which is now at the flat rate of 18% without indexation and tapering. Then there's tax on property, particularly buy-to-let. And if you're running a small business and thinking about buying new equipment, have you caught up with the major changes to capital allowances? Your chance to get some expert advice from my three guests. My two guests, I'm sorry: John Whiting, tax partner with PricewaterhouseCooper; and Jane Moore, technical manager at the Tax Faculty of the Institute of Chartered Accountants. The Money Box Live number is 03700 100444. Calls are charged at the local rate. And first on the line is Ann in Stoke. Ann?

ANN: Hello. I work as a supply teacher and I'm just wondering if the tax rebate that we're due because of the abolition of the 10% band, which is due in September - if I don't actually work in September, will I get it in October or November or when actually I do work again?

DUGGLEBY: You are presumably paid under PAYE, are you?

ANN: Yes.

DUGGLEBY: Not self-employed or anything like that?

ANN: No, no, under PAY … Yeah.

DUGGLEBY: Okay, well if you don't get a pay cheque in September, John, what happens?

WHITING: Then it'll come through with the next pay cheque, so it'll happen to one or two people who for one reason or another are not working. And PAYE - we have to remember this is an allowance for the year. This is an extra £600 allowance, £120 tax effect for the year, and it just happens to be *starting* in September - hence the £60. You've got 6 months at £10 a month. You're not going to get £60 *each* month. It'll be £10 extra a month. And, Ann, your situation, PAYE will catch up when you are next paid - so potentially if you are working in October or November, you'll see the rebate then.

DUGGLEBY: Essentially, Jane, the principle of the tax system is that it allocates or apportions you one twelfth of your allowances each month, is that correct?

MOORE: That's right. And because PAYE works on a cumulative basis, then if you're not paid in September you will just get the allowance come through in October or November, as John has said.

DUGGLEBY: Right. We've got a lot of emails on this, but before we take some emails let's just check what William in Yorkshire needs to know.

WILLIAM: Good afternoon. I took voluntary redundancy at the end of July. I was paid up to the 24th October, which was 3 months pay plus redundancy package. I'm 64 years old. The normal retirement date is May 2009. I've always paid PAYE at 20%. How do I get my tax back?

DUGGLEBY: Okay, so you've not …

WILLIAM: I won't be getting more pay …

DUGGLEBY: Yeah, you're not working obviously in paid employment.

WILLIAM: Does the company owe me that, or …

DUGGLEBY: And you haven't got a pension coming in?

WILLIAM: Not yet. No, I haven't claimed it yet.

DUGGLEBY: When's that likely to come in?

WILLIAM: Next May, next May.

DUGGLEBY: Right. So you actually haven't got, Jane, any … There is no income coming in in this period.

MOORE: No. I think the first thing you should do is just check with your employer that they didn't take into account this higher level of allowance when they worked out the tax on your final package because it might be that they used the higher personal allowance at that time. If not, what you can do is make a repayment claim to the HMRC and get the money back. You don't have to wait until after the end of the year to do that and you can do that with a form R40, which you can pull off their website or get through your tax office.

WILLIAM: Okay.

DUGGLEBY: Okay, let's take some emails on the same subject. This is again another one … Several people who are retired. The 60 to 64 age band, John, seems to be a particular area where they're confused. They're saying when does the rebate come through? In this case there appears to be a pension, but the income in some cases is quite low and I think they're confused perhaps between the rebate and whether they're better or worse off.

WHITING: Yes. I mean in a sense let's go back a step because let's remember that this result is an increase of the main personal allowance, which was £5,400 odd; it's now going up to £6,035. But of course those 65 and over got considerably higher allowances already - £9,030 for this year.

DUGGLEBY: And that was to compensate them for the loss of the 10p band?

WHITING: So they had it baked in already in a sense. They got the compensation. It was the ordinary basic rate taxpayer, shall we say, who in some cases if the income was below £17,000 or a bit less was going to lose out.

DUGGLEBY: So that would answer Maggie, for example, who says her income is only £11,000, and she says am I a winner or a loser?

WHITING: Well she *was* a loser because if she's under 65, she *wasn't* going to get the higher allowance …

DUGGLEBY: Would she? If she is under 65.

WHITING: She was in this classic income bracket where she wasn't gaining enough on the 2p cut in the basic rate swing to compensate for the loss on the 10p roundabout. But of course she is now getting possibly through the year this extra £120 as a result of the higher personal allowance, so overall she will come out ahead. This adjustment has compensated most people, although there's still a cadre of people who are going to lose out - people who are earning sort of £7,000, £8,000, *very* small incomes. They still don't quite get enough back.

DUGGLEBY: There is a number of people who are asking about how do they get the money back if they can't get it through PAYE. There's obviously the self-employed we know can't get it back because they're not on PAYE. There seem to be some retired people who don't actually have any source of income other than sort of interest or dividends, so they seem to be affected.

MOORE: Yes. Well there are ways that you can get it back. You can claim a repayment from the Revenue using this R40 form that we mentioned earlier. If you're self-employed, of course you haven't actually paid any tax for 2008/9 yet anyway. Your first payment on account would be due at the end of January next year. And you could try to reduce your payment on account to take account of the £120, but you need to be careful doing that because there may be other reasons which push your tax bill up, so you may be better to sit tight …

DUGGLEBY: Safer to wait.

MOORE: … after the end of the year and get your return in quickly.

WHITING: And of course let's not forget that in amongst all this, the 10p rate is not totally dead. *(laughs)*

DUGGLEBY: Well somebody's raised this point. We keep talking about the 10p rate being dead. I thought the 10p rate still applied to dividends. Can I get the extra … Can I get that refunded to me if I don't pay tax?

WHITING: Well dividends, let's deal with that. Dividends are taxed at this …

DUGGLEBY: 10p.

WHITING: … slightly peculiar 10% rate, or 32½% if you're a higher rate payer. If you're not a taxpayer, sorry you can't get it back.

DUGGLEBY: Well that was the question.

WHITNG: The particular one I was just thinking of, Vincent, of course is somebody who's getting some bank interest and is just a taxpayer is losing 20% at source on the bank interest that they're receiving; but for them, if they are just a taxpayer, they still get this 10% tax rate, the savings rate. They will be into a little repayment claim, you know Jane's R40.

MOORE: Yes. But I think the problem is though a lot of people in that situation won't even realise that they *could* be making a repayment claim. And the calculation is more complicated now even than it used to be, so I fear that some perhaps older people particularly may be missing out.

DUGGLEBY: One final question on this refund or rebate is Laura in Rushton. She's emailed us saying she's on maternity leave, which she began in June, and she thinks she's going back to work in February 09. She's currently earned £5,900. Not quite sure what she'll get for the rest of the year. It could be up to £10,000. So what's her position? Will she qualify for this rebate within this tax year? It looks as though she will if she does get back in that time.

WHITING: Yes, I mean in principle if she starts work again in February, say, then it'll kick into PAYE then. And let's bear in mind that her new baby's also entitled to a personal allowance if she can get him or her to work.

DUGGLEBY: Indeed. But if of course she *didn't* go back in February and didn't say go back until March or April, sorry April or May, then of course she wouldn't get it because her income is below the personal allowance.

MOORE: I think her income for the whole year's probably *over* the personal allowance.

DUGGLEBY: Well £5,900 up to now. If she didn't go back to work again in this tax year, it wouldn't be.

MOORE: Oh right. No, she wouldn't.

DUGGLEBY: She might get a rebate.

WHITING: ….. because of course when she left her personal allowance was £5,400. Now it's gone up to £6,000, so the government has given her a christening present.

DUGGLEBY: Ah, so she is entitled. She *has* got a rebate. Ah, right, yes. Oh, how does she get that then?

WHITING: Well through PAYE or …

DUGGLEBY: Or apply on the form.

WHITING: Apply on the form if she doesn't start earning again within the year.

DUGGLEBY: Right, so much for that. Now it's a change of direction to Ernest in Surbiton. Ernest?

ERNEST: Hello there. *(coughs)* Excuse me. Could you ask the panel to confirm the following? I understand that the penalty of £100 for a late paper return would be reduced to nil providing all tax, etcetera, is paid by 31st January 09.

DUGGLEBY: True or false? Haha! Okay, Jane?

MOORE: True, in short. But just to explain that a bit. Of course the paper return won't be late unless it's later than 31st October.

DUGGLEBY: It's not 31st January any more. It's 31st October is the deadline for sending it in.

MOORE: Yes. You could still file online after that date if you want to do that instead. If you get your paper return in late, then yes provided all the tax due for that year has been paid by 31st January, the penalty can't be more than the tax outstanding, which would be nothing.

DUGGLEBY: But the trouble with that is you've got to get the payment right …

MOORE: Yes.

DUGGLEBY: … and the Inland Revenue probably won't confirm it one way or the other. So if you do your own calculation …

WHITING: Well of course if they haven't got a return, they can't work it out …

DUGGLEBY: They can't do it, no.

WHITING: … and you've got to work out your own calculation. Ernest has got to get his calculator out and see what it comes down to. And maybe just add a little bit extra on to be on the safe side, which is what some people will do.

MOORE: Yes.

DUGGLEBY: So the actual penalty that you get for not sending it in is not … well it is activated, but it's activated almost at a zero rate.

WHITING: And I'm afraid he would probably be in this archetypal category of somebody who gets the penalty notice of £100 because the trigger is no return in on time being sent him a penalty, and then you're into this process of vacating it because you're proving that you have actually paid all your tax, which Jane and I see plenty of cases, I think …

DUGGLEBY: Okay Ernest …

WHITING: … of people who have to argue.

DUGGLEBY: … do you fancy taking on the Revenue and doing the sums?

ERNEST: Well I should be able to do that. I just really was very interested to see what the panel said on the …

DUGGLEBY: Okay, well that's …

JANE: That's still true.

DUGGLEBY: … that's the answer. Get your sums right and no problem. But if you get them wrong, you may find yourself with an unwanted bill.

MOORE: I think it's fair to say that HMRC are actually looking at this provision, so it may not …

DUGGLEBY: Oh what, maybe …

MOORE: It'll be the same for the 31st January next year, but it might not be the same for ever and ever.

WHITING: Yes, quite agree.

DUGGLEBY: Yeah. Well an interesting question you raised there, Ernest. Let's take another email. And this one is about capital gains and it is … No, it isn't about capital gains. It's a *call* about capital gains. I'm sorry, Brendan I'm anticipating your call.

BRENDAN: Good afternoon, Vincent. I wonder whether your panel can help me. I received 500 windfall shares in Northern Rock way back in 1999 and put them immediately into a PEP. Over the subsequent years, I accumulated a further 140 shares through dividend reinvestment. However, when the plan manager ceased to operate that business about 2005, they transferred the shares out of the PEP into my name. I have subsequently sold those shares earlier on this year and what I need to establish now is a base cost for capital gains purposes.

DUGGLEBY: Okay, indeed. Okay, so they've been in a tax free environment. They're now out of the tax free environment. I expect actually you're looking at a loss here, aren't you, because of course the shares have gone down very substantially in value? John?

WHITING: Basically when something comes out of the tax free wrapper - the PEP being the main one, ISA's now of course - it comes out at market value. You often come across this when of course somebody dies; and when they die then everything has to be valued and the shares then come out outside the tax free wrapper and they go to the heirs at market value at death. And, Brendan, in your situation you will have a "cost", a sort of tax based cost of the value when the plan manager says sorry they're not in a PEP any more.

DUGGLEBY: So that's just looking up the date and finding out what the shares were quoted at that day? So hopefully that will be alright. That will be accepted by the Revenue presumably as a valid date of acquisition?

WHITING: Yes. Whether there's any issue about when the actual date occurred that they came out of this wonderful tax free environment, you know the tax free monastery as it were, then I don't know.

DUGGLEBY: If the share price hasn't moved very much, it probably doesn't matter.

WHITING: It probably isn't a big issue.

DUGGLEBY: While we're on the subject of capital gains, Danny in Surbiton has emailed us and he says he sold a flat last October for £220,000. Nice timing! He bought it for £78,000 in 1999. He lived in it for 5 years, rented it for 3½, and basically he's asking about his capital gains tax position with an additional proviso that he's made a loss in income tax terms and wants to know if that will be allowable if he pays tax. So this is a question of part owner-occupation, part letting. Very common. Jane, what's the answer?

MOORE: Okay. Well first of all the income tax loss has really got nothing to do with the capital gain. Just looking at the capital gain, I think it's quite likely that there would be no tax to pay on that at all because you get various sorts of exemption for something that's been your home at some point while you owned it.

DUGGLEBY: So five years ownership, owner occupation is still …

MOORE: Five years if you lived there. And then you always get the last three years for which you own a place no matter what you were doing with it at that time, which pretty much covers the period that he owned the flat. And in addition to that, even then you get up to £40,000 of your gain exempt if you were letting the flat out for a period.

DUGGLEBY: Which he was.

MOORE: So I think he's probably okay.

WHITING: He's probably okay. I mean we'd have to be a bit careful as to when this rental period was - whether it was the last few years or somewhere early on. But I'd agree with you; that by the time we'd done the apportionment - because he's got a gain of, what, £130,000, £140,000 after costs - apportion it over the eight and a half years, as you say at worst surely three eight and a halfs are taxable probably. And you've got the £40,000 letting exemption, you've got annual exemption. I don't think …

DUGGLEBY: But so far as this loss on rental, which of course is increasingly a problem with people having to pay higher interest rates … You know the automatic profit on rental is not there necessarily any more, so people are perhaps racking up these little losses which they're declaring each year on their return.

WHITING: And I'm afraid it's a carry forward against the future income. You know there's a great barrier between the income and the capital in this instance.

MOORE: Yes.

DUGGLEBY: Right, okay. Let's see what we can do for Anthony in London. Anthony?

ANTHONY: Hello. I'm being a bit lazy really. I'm about to become self-employed.

DUGGLEBY: You can't be lazy … You certainly can't be lazy if you're self-employed. *(laughter)* Carry on, Anthony.

ANTHONY: … aspects of it are going to that way. But I need some information about who I need to contact in terms of tax and what I need to do to calculate my own tax I pay and what allowances I can gain and do I need an accountant and those kind of details.

DUGGLEBY: What are you going to do, Anthony?

ANTHONY: I'm going to be a driving instructor.

DUGGLEBY: Right. So that's not necessarily a particularly brilliant profession when the price of petrol what it is. I wonder whether people are going to learn to drive as much as they used to. Anyway, be that as it may be.

ANTHONY: Well I'm negotiating for a special deal there anyway with the petrol companies.

DUGGLEBY: Oh right, jolly good. John?

WHITING: Yes, it's always a difficult one. I mean first things first. If you are starting out, then perhaps inevitably the first people to contact, dare I say it - apart from some potential customers - are of course HM Revenue & Customs because you do have to sign up as self-employed. Oddly enough, not so much for income tax. It's actually national insurance that they want to hear from you about. Within 3 months of starting, you've got to register for class 2, the £2 odd a week, so they've got you on their books. They want to know for income tax as well, but that is something that you need to get rolling quite quickly. And then of course there's an element of just keeping some sensible books and records - work it out yourself, whatever. And then your crux question of putting stuff away - yes, well well done for thinking about it. Too many people just don't think about it until the bill comes in. But putting quarter of the income away or so would be a good start.

DUGGLEBY: If you're a driving instructor, presumably you'll want to buy your own car, will you, to run, or what?

ANTHONY: No, I pay a franchise with the company I'm with. I pay a franchise and that covers all of that.

DUGGLEBY: Okay, so that will be a liable expense.

ANTHONY: Yes. Oh good, yes.

MOORE: You say you're … Sorry, beg your pardon Anthony. You say you'll earn £30,000, but don't forget that … is that after taking off expenses? For tax, of course, you're taxed on your profit.

ANTHONY: Yes, that's a gross figure.

MOORE: Right, so you'd have to work out what your expenses were, which would include the franchise amount you pay for the car, lots of other things, and so …

ANTHONY: Uniform.

MOORE: Uniform? .

DUGGLEBY: Uniform, yes.

MOORE: Right.

WHITING: Yes.

DUGGLEBY: Yes, it would be.

ANTHONY: It would be, wouldn't it?

DUGGLEBY: Well in that case, it is allowable.

WHITING: Well if it's a genuine uniform, of course, and it's not just something that you can use privately.

DUGGLEBY: A smart suit.

ANTHONY: Indeed.

WHITING: Got to be careful with this. You need the company logo on it, I think.

MOORE: And you asked about using an accountant and I think, representing the Institute of Chartered Accountants I really have to answer that one - it can be helpful just to set you on the right track, tell you what books to keep and what you can claim and maximise the way you run your business for tax.

WHITING: I mean I'd echo that. I mean representing the Chartered Institute of Taxation, I'd say is somebody who could at least give you the health check. And I think there's a lot of sense in getting a sort of initial consultation. I mean maybe not sadly like your own job, Anthony, where people are going to come back to you week after week. It's more just at least to make sure that you are on the right lines with your driving ….

DUGGLEBY: And to save time, the accountant's time, it would be a good idea to buy some book on self-employment and tax …

MOORE: Yes, or look at Business Link.

DUGGLEBY: … because that would give you some idea of the sort of questions you're likely to be asked.

MOORE: Something like Business Link, the government website, will point you in the right direction.

DUGGLEBY: And when John, when would he get … If he starts this month, when would he actually fill in his first tax return?

WHITING: Well his actual tax return will have to be for this year - 2008/9 …

DUGGLEBY: Right.

WHITING: … because he's obviously starting this year, but we can worry about that next year. I go back to the needing to tell the Revenue and you know, as Jane's alluded to, go via the website. You can log on there and get the process going to go for national insurance.

DUGGLEBY: But the first tax bill he's likely to have on his earnings won't turn up for quite a long time, will it?

WHITING: It won't turn up for quite a long time and that's why … You know potentially we're talking 2008/9. The final bill won't come until January 2010. But if he hasn't done *anything* up until that point, it could be quite nasty. The final bill, payment on account - my god, have I got enough in my bank account?

DUGGLEBY: Sally in Oxford is about to take an MBA course, but wants to run some freelance training courses off her own bat and wants to know again whether she needs to get involved with the Revenue and the tax system?

MOORE: Well I think the answer to that is if she's self-employed, which it sounds like she will be, yes she needs to register with HM Revenue & Customs in the way we've just been discussing.

DUGGLEBY: Because she is self-employed. She may be a student, but she's also self-employed.

MOORE: That doesn't matter.

DUGGLEBY: On the other hand, she may have her … you know the earnings may be below the level of the personal allowance in which case …

MOORE: They may, but she still needs to register.

WHITNG: She's got to. It sounds like bureaucracy, but you've got to register and then apply for what's known as the small earnings exemption rather than doing a unilateral decision.

DUGGLEBY: Right, David in Hornchurch.

DAVID: Hello. I've got a small amount of shares in two foreign banks. One is Santander, which I got through Abbey; and one is the Commonwealth Bank of Australia, which I got through what used to be Colonial Mutual. I just wonder how much tax I should be paying? The statements I get from Santander, they put a statement 'Spanish withholding tax'. Now I'm not sure how much I pay on top of that. In the case of Commonwealth Bank of Australia, they use phrases like 'franked amount', 'un-franked amount', so I'm just not sure how much I should be paying.

DUGGLEBY: Okay, well let's deal with the Santander issue, John, particularly, because they're about to take over Alliance & Leicester, which will bring of course thousands more cheques into this Spanish net.

DAVID: It will indeed.

WHITING: David, your position is getting more and more common. I mean a few years ago you'd hardly get anybody in the UK who had this. We're getting more and more people. And there's actually been a change here to the law this year, which is quite helpful. Essentially the dividend income that you get - like UK dividend income - is taxed 10% if you're a basic rate payer, 32½% for dividends - and the difference that we've got this year onwards is that it will be given a credit, tax credit in the same way as a UK dividend. So, in other words, for a basic rate payer there's essentially nothing more to pay.

DAVID: Nothing more to pay?

WHITING: Nothing more to pay.

DAVID: Right.

WHITING: If you're a higher rate payer, then that withholding tax that you've seen, that will also be helpful in terms of reducing the amount that you actually owe the Revenue.

DUGGLEBY: Does this, John, mean that … There used to be a clause in the return which said income from foreign held shares - which I mean in the case of something like Abbey National or Alliance & Leicester would have been peanuts, frankly … Most people who got these shares when they were issued only got perhaps £1000 worth or something, so that meant that they couldn't fill in the simple tax return; they had to fill in the large one. Is that all going to change then?

WHITING: Well, I think that remains to be seen because we're potentially talking about 2008-9 return and what they actually have to do on that. But potentially, one way or another, this is going to be much easier.

DUGGLEBY: Is this something to do with Europe? Are they trying to sort of simplify the whole thing?

WHITING: Well, there is a bit of a pressure. This is a euro issue and it's been felt to be discrimination following on from a couple of European cases – Manning- and various others.
DUGGLEBY: Let's not go down that course.

WHITING: …and various others. We can thank some Finnish taxpayers for taking a case in this.

DUGGLEBY: Okay. Well there you are, David. Hopefully a bit easier for you. Now let's see what we can do for Dai in Ripley. Dai?

DAI: Oh hello. I'm self-employed, have been for quite a long time. Quite a small turnover which varies between perhaps £5,000 and £10,000 net. But two years ago I started receiving a deferred pension of a small amount and so my tax office has switched over to being the pension tax office and I'm just wondering whether there are any special considerations for offsetting self-employed income against the pension which is treated rather like PAYE income?

DUGGLEBY: Yes, this does happen, I think Jane - that the sort of lead pension office actually does switch. His lead pension obviously now becomes the PAYE system where he's getting his pension from, but it won't change the information that they will process.

MOORE: No. I mean I think you've probably just got the one tax office now, haven't you, which is paying your pension? Is that right, Dai?

DAI: Yes.

MOORE: Yes. And that'll be operating Pay As You Earn just like an employment and it should be giving you the benefit of all of your personal allowance. So you might just want to check that that's happening because if it's £800 a month, I should think the whole of your personal allowance ought to get relief against that pension.

DUGGLEBY: And then on top of that, that tax office will then consider your self-employed profits.

MOORE: Well you'll send in your return with all those details on it, including your self-employed income and your pension, and the tax office will do a sum and hopefully you'll get just a bit of extra tax to pay on your self-employment.

DUGGLEBY: So nothing sinister in the switch of that. Just simply a change of procedure.

WHITNG: As Jane says, it's well worth checking that you are getting your personal allowance against your pension there, which is one of the things that should fall out, because that helps you in your cash flow rather than having an automatic sort of 20% knocked off your pension and personal allowance against the self-employed income in due course.

DUGGLEBY: I'd like to take a …

DAI: I made a loss last year and does that offset against the pension income or does that live in a separate department?

MOORE: Yes, you can lose a loss from self-employment against your other income in the same tax year. You'd need to make a claim.

DAI: You can?

WHITING: Yes or carry it forward and obviously there's an element of look at how much your figures are, so you don't … In some cases it can be worth carrying it forward rather, in the same year, to avoid wasting personal allowances.

MOORE: Yes.

DUGGLEBY: Let's just take another email. This is from Peter - it's an interesting one - in Westcliff. He's in Essex. He was made redundant just recently, 3 months ago, and he was paid 2 months in lieu of notice with tax and national insurance deducted, yet he also noticed that £30,000 of his redundancy payment is supposed to be tax free and yet he seems to have paid tax on this pay in lieu of notice. What is going on?

WHITING: Well the answer is that this £30,000 tax free, which most people are aware of, there's a bit of an urban myth here that any payment I get when I lose my job will get £30,000 tax free. Sadly, that is not the case. It has to be redundancy - really losing your job, non-contractual. You referred, Vincent, I think - what was it, 2 months he's getting as payment in lieu?

DUGGLEBY: Yes, that's right, 2 months in lieu of notice.

WHITING: Payment in lieu of notice. That would probably be within the contract. Therefore, it's a contractual payment taxed in full rather than going towards this £30,000. Sadly, therefore, it's more complex than it can sometimes seem.

DUGGLEBY: Okay, one more call. If you'd make it quick, please, Shirley in Banbury.

SHIRLEY: Okay, yes. My husband and I owned a house jointly. We got divorced and he sold the house and got all the proceeds from the sale of the house, but he gave me a lump sum to pay the capital gains tax, which was due on my half. What I need to know is do I need to declare that lump sum or simply the interest that it has earned? I mean I shall have to pay the Revenue that sum next January.

DUGGLEBY: Jane?

MOORE: Did you still own half the house at the time when it was sold, Shirley?

SHIRLEY: Yes, we were tenants in common, yes.

MOORE: Yes. In that case, you will actually have a capital gain and so will he, based on the share of the house that you each owned, so you will need to tell HM Revenue & Customs yourself about the capital gain that you've got and also pay the tax, as you said.

WHITING: And he's basically giving you your share of the proceeds.

MOORE: Your share, yes.

SHIRLEY: Yes, he is.

WHITING: So you're paying tax on the gain, as you say. You're not paying tax on …

MOORE: But not because it's a gift from him; because you've actually sold something and made a profit.

DUGGLEBY: But you've both got your individual allowance against capital gains tax and of course it's 18% because it's in the current tax year.

WHITING: If it's in the current year.

DUGGLEBY: It's in the current tax year, is it Shirley?

WHITING: Although if this is the main residence …

SHIRELY: No, no. Neither of us can claim primary residence.

DUGGLEBY: But it was sold in this tax year?

SHIRELY: No, sorry. 07-08 - the one we're declaring now, yes.

DUGGLEBY: Okay, well it's the last tax year. I'm afraid it's something …

WHITING: A bit more complex. But, no, you'd only be paying once on this.

DUGGLEBY: Okay. We've run out of time, I'm afraid, but thanks to Jane Moore from the Institute of Chartered Accountants and John Whiting from PricewaterhouseCoopers. Details on what we've been discussing in the programme - two options: 0800 044 044 is the helpline; and the website, bbc.co.uk/moneybox, with transcripts, details of how to sign up for the podcast, links to HMRC and other useful websites. And don't forget to send us an email if you have a tax tale you'd like to share. Paul Lewis will be here with the next Money Box at noon on Saturday, and I'll be back to take more of your calls on Money Box Live same time next Monday afternoon when the subject will be banking.