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MONEY BOX LIVE

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DUGGLEBY: Good afternoon. With little more than two weeks to the end of the tax year, there's not much time left to save tax in 2008-09. Usually we'd have had the Spring Budget by now, but because the G20 Economic Summit is being held in London early next month, it's been delayed until 22nd April. However, tax allowances for the coming year are already known because they were announced in the pre-Budget Report last November, along with the cut in VAT. The new top rate of 45% and the increase in national insurance doesn't come in till 2011. So we're looking for new rules you may have forgotten about, such as the annual investment allowance of £50,000 for small businesses; flat rate capital gains tax of 18%, remembering that gains up to £9,600 are tax free. You may need to find out how to establish losses in the present markets. And with wages and salaries under pressure, you might want to discuss the tax consequences of redundancy or have a look at the benefits of a company car or extra pension contributions. There are rumours the Budget will contain measures to encourage savers badly hit by falling interest rates. We shall have to wait and see. In the meantime, you should be perhaps looking at inheritance tax planning, especially where an estate has been hit by falling property and share prices. Just some of the ideas you may wish to discuss with my two guests on Money Box Live. Jane Moore is Technical Manager at the Tax Faculty of the Institute of Chartered Accountants and she's particularly concerned about Inland Revenue final demands and missed deadlines for paying tax. John Whiting from PricewaterhouseCoopers warns that notices of coding should be carefully checked, especially by pensioners turning 65. 03700 100 444 is the number, and first on the

line is Andrew in Poole. Hello Andrew?

ANDREW: Hello.

DUGGLEBY: Your call.

ANDREW: Yes, good afternoon. Recently I had a small company. I was the sole trader working as an IT contractor. And I closed the company last August and there were some cash assets which I now have and I'll have to pay capital gains tax on those assets. And I was wondering whether I can offset some of that cost against losses I will make by selling some shares in a bank, a UK bank?

DUGGLEBY: Yeah, well they of course have fallen dramatically in the last year or so.

ANDREW: Absolutely. Now I'd accumulated these shares over a period of time. I was taking dividends in shares and, as you've said, I've actually accrued quite a loss on saving.

DUGGLEBY: Okay, well the question you're asking really is can you offset a loss on shares against a business profit?

ANDREW: Yep.

DUGGLEBY: Okay. John?

WHITING: If these are both capital losses, yes you can. And before we probe a little, let's be clear. If you make a capital loss, a capital *gains* loss, the only thing you can do with that is set it against a proper capital gain in the same or subsequent year. There's no carry back. So first thing, and I think Andrew seems to be well prompted with this, is get the years right - and he's doing this - because obviously the fatal thing is to make a gain in this year, pay tax on it, and then make your loss *next* year.

DUGGLEBY: Yuh. So, Andrew, you've got your gains stacked up as it were. So it's now a question of you know do you want to offset it? Or I suspect, John, the answer would be it would be silly *not* to offset it?

WHITING: Well, yes. The slight bit of probing I wanted to do is be absolutely sure that the gains that Andrew's talking about are actually capital gains that *he's* made because, Andrew, you talked about closing your business. Because of course if it's ... did you have a company that you were trading through, or was it just you?

ANDREW: It was just me.

WHITING: Oh, right. So these are actual capital gains made on assets that *you* sold. You happened to use them in the business, but they were in your name?

ANDREW: Yes.

WHITING: Right so fine, you've made capital gains. The old days of taper relief for business assets I'm afraid are gone, but in principle it does sound as if you've made some capital gains. Offset your capital losses and we'll see what the net result is.

DUGGLEBY: There is a general question though, Jane, that if you establish say gains and losses of the same amount - like say you make £10,000 of gains, £10,000 of losses - these cancel each other out. So it is perhaps better sometimes to establish the loss first that you can carry forward rather than as it were lose the benefit of your ordinary tax free allowance, which is £9,600.

MOORE: Yes. The point being that if you carry the losses forward, you use them the next year but you don't have to lose your own exemption that following year. It's a question of doing the sums really and seeing what tax you're prepared to perhaps pay next 31st January.

DUGGLEBY: Indeed. But it's a good idea if, for example ... I mean I imagine many

people won't have any gains at all, so if you want to establish your loss - I don't know, say £10,000 - that then goes in as a loss, it's carried forward. You haven't lost your gains allowance because you didn't need to use it.

WHITING: *(over)* Exactly. And next year, you make a gain. You only use the losses to the extent that you need them to ... You know for next year's annual exemptions - £10,000 for the sake of argument - if you make a gain of £20,000, you've got the £10,000 annual exemption. You'd only use £10,000 of losses brought forward rather than within the year it is this automatic knitting off. So you're right, Vincent, you could be losing your annual exempt amount.

DUGGLEBY: A number of questions on capital gains. A couple of emails here. One is from George in Bridgend. He says, 'My wife and I own one property jointly and the other property in my name only. Can the panel advise on reducing capital gains tax if and when we come to sell these properties?' One joint property, one held by a single person. Husband and wife.

WHITING: Husband and wife. And I mean the starting point is presumably one of them is their main residence and the other is the second residence which in principle

...

DUGGLEBY: *(over)* Presumably, yeah. It looks like it. Probably the joint property is the main residence, I guess. It doesn't say so.

WHITING: The other one is then exposed to capital gains. Obviously there's a certain amount of boxing and coxing you can do - if you know you're living in this one, well okay well go and live in the other one and elect for that to be the main residence. That gives you a little bit of tax free amount. But I mean in simple terms, if they're selling the one that *is* capital gained - if I can term it that - they should be owning it jointly, so they're at least using both ...

MOORE: *(over)* Yes.

DUGGLEBY: *(over)* So really they both need to be in joint names?

MOORE: Well the point is that if you're a married couple, you can only have one principal private residence that's exempt, so you couldn't for example have one of you living in each of the two houses and try and make them both exempt that way. That wouldn't work.

DUGGLEBY: He did suggest that, but I ...

MOORE: Did he?

DUGGLEBY: Yes. It won't work.

MOORE: Sorry to say, it won't work.

WHITING: Short of divorcing and settling and going down that route ...

MOORE: Bit drastic.

WHITING: ... but I suspect he loves his wife more than he hates tax.

DUGGLEBY: And one other very quick capital gains tax question. Robert in Bristol says, 'Is stamp duty land tax an allowable expense when you're calculating a gain or a loss on an investment property?'

WHITING: Yes.

DUGGLEBY: It is. It's an expense even though it's a tax.

WHITING: It's an expense.

DUGGLEBY: Okay. Onward now to the calls and it's Doris in Ilford. Doris?

DORIS: Hello.

DUGGLEBY: Hello.

DORIS: It's about the 10% savings rate. I've got an occupational pension and state pension which come to £6,165. I'm 63, so I don't get the higher allowance for personal allowance, so it does come to just above the 6035 figure. And I'm just wondering whether some of my savings interest from the bank and building society, if I can claim some of the 10% rate back on that?

DUGGLEBY: Jane?

MOORE: Roughly how much is your savings income?

DORIS: About £4,800.

MOORE: The answer is that will take you just above the 10% savings rate limit.

WHITING: But you will get some of it at 10%.

MOORE: You will get some of it at 10%.

DORIS: I will be able to claim some of that?

MOORE: Well you'll certainly pay less tax on it than the 20% that you will have had taken off it at source.

WHITING: Because currently the amount that you can get at 10% is £2,320 in the tax year that's nearly ending. You've spotted you've got a bit of income above the basic personal allowance, about £130. That nibbles into this 10% allowance. So

you've got about £2,200 of it left to as it were catch your interest at 10%. The rest is going to be taxed in full at 20%. So you have got scope for getting a little bit back - 10% of the £2,200 there or thereabouts. You're due back £200 or so. You'll need to fill in, one assumes, the R40 unless you do happen to get a self-assessment return.

DORIS: No, I don't. But I have claimed money back in the past. Every little bit helps.

WHITING: Every bit helps. Go for it. Don't forget it.

DUGGLEBY: We'll couple your call, Doris, with an email sent in by Anna. Now she says, John, that she's 65 this October, so she thinks she'll be, I mean she knows she's going to be entitled to the higher age related personal allowance for the 2009-10 tax year, but she's wondering whether it's pro-rated during the year and also what she's got to do to get it?

WHITING: Two questions. Firstly, no it's not pro-rated. If you turn 65 (or 75 for the higher one) at *any* time during the tax year, you get the whole lot. So the optimum birthday is 5th April in that sense. This really is my particular tip that you alluded to when you were introducing, Vincent, because whereas you used to be able to depend on the revenue to *give* you your higher allowance - along ... well not necessarily with a birthday card, they'd spot it - they're generally expecting you to claim, so you're expected to notify them. So notify the tax office or put it on the famous R40 form or whatever. Well maybe you've got a coding notice this year, maybe it's coming out about now. Maybe they have put it on. If they haven't put it on, notify them that you are due it.

DUGGLEBY: Indeed. So the message to Anna in Swansea is get in touch with the Revenue because they won't necessarily get in touch with you. (*laughs*)

WHITING: Yes, whereas it used to be they'll spot it. But do check. It's now for heaven's sake do the notifying, take the initiative because they probably won't spot.

DUGGLEBY: Okay, Nicola in Cornwall, your call now.

NICOLA: Hello, good afternoon.

DUGGLEBY: Good afternoon.

NICOLA: I'm a sole trader interior designer and soft furnisher. I need to purchase a new vehicle for business use before the end of the tax year and I wanted to know how I can maximise the tax benefit when making such a purchase?

DUGGLEBY: Okay, well is this one that's covered by the investment allowance, John? Or Jane, sorry?

MOORE: No, cars don't apply to the annual investment allowance that small businesses can get, which is up to £50,000 of expenditure on plant and equipment but not cars, unfortunately. You get a 20% capital allowance on your car every year. There are special rates though for particularly energy efficient cars, so it's worth looking that up.

NICOLA: Right, well I was thinking of purchasing a van rather than a car. Does that make any difference?

EVERYONE: Yes it does.

WHITING: There's this great divide in the tax system, as Jane's alluded to, between cars and vans. And you know frankly the difference is what you would think: if it looks and sounds like a van, that's what it is.

NICOLA: Right. (*laughs*) It's as simple as that?

WHITING: Well the definition gets into roofed and windowed accommodation for passengers behind the driver's seat and things like that, so the classic used to be a

Range Rover that people use for shipping goods. Sorry, that's still a car.

NICOLA: Yuh. No, well I was thinking of buying a van.

WHITING: Indeed, which would count for the annual investment allowance that Jane's alluded to, which would then be a complete 100% write off of the amount in the year of purchase. Assuming you can use that amount of allowance.

MOORE: Indeed.

WHITING: You don't *have* to take it. So if for the sake of argument you spent £20,000 on a nice van, then you could deduct the full £20,000, subject to whatever else you've bought, against your taxable profits for the year.

NICOLA: Right. And is that against new vehicles only, or can I use that for second-hand?

MOORE: No, it's anything you buy for your business.

NICOLA: Right, okay.

DUGGLEBY: Okay, we've got another self-employed person. This is Andy in Leeds. He says, 'My wife is a self-employed childminder working from home. Is she able to claim the cost of gas and electricity prices which are still at a very high level?'

MOORE: The answer is yes. I mean if you work from home, you can claim some of the costs of your home as a business expense. You couldn't claim the entire home. You have to claim for a proportion.

DUGGLEBY: I'm just interested in the fact it's a childminder, whether these children might be running around several rooms. Would it be a percentage of the ...

MOORE: Well that's the sort of thing you take into account. You look at how much you use your home. Maybe you use a couple of rooms specifically. And just take a sensible proportion of your total running costs, which could include council tax and water as well as ...

WHITING: (*over*) Running the business, and the business is operating from home. I mean the typical one, of course - somebody operates their office from home and they're claiming a tenth, one room. I agree, Jane, that when it's a childminder you anticipate them using quite a bit more ...

DUGGLEBY: Exactly.

WHITING: ... and might even argue that of course whilst the kids are there the heating has to be turned up ...

DUGGLEBY: (*over*) It has to be turned up. Yes, so you might be using a slightly higher percentage maybe. It's a matter of putting the percentage down and ...

WHITING: Something reasonable in a time honoured manner. Be reasonable, but do claim it.

DUGGLEBY: Philip from Walthamstow wants to know whether you've got any tips for registering for VAT. At the moment he isn't registered. He thinks he might have to shortly. He keeps all his own records and actually does his own tax returns, but he's wondering if he gets into the VAT net that he will have to call in a professional. First of all you've got to know when you have to register VAT because it isn't quite as simple as that. It's quarterly, is it, and annually, and you've got to work out turnover?

WHITING: Well the basic thing is turnover of a set annual limit, which is currently £67,000 - so if you've exceeded £67,000 for last year or you think you're going to in the near future, then that's when you *have* to register. And we're talking taxable suppliers, not exempt suppliers. You can register voluntarily if you want to, which

some people might not see as very attractive, but it does allow you to claim back VAT on expenses.

DUGGLEBY: But much more paperwork, Jane, I imagine?

MOORE: If he's keeping very good, meticulous records anyway, he's probably alright actually. I mean the thing is to keep good records. They don't have to be anything super swept up and special provided they're complete and detailed.

DUGGLEBY: So it's not going to be an insuperable burden upon him when it happens?

WHITING: No. And does he have to go to a professional? He can do it himself. I mean the VAT return is pretty simple and, as Jane says, if he's keeping good records he's well on the route. Of course if he does want ... You know it might be a case where he just wants a sort of health check from a professional just to say "Yeah, you're doing it right, carry on", and just pay a sort of one-off fee for ...

MOORE: *(over)* Yes.

DUGGLEBY: *(over)* And I think of course at the outset anyway, Jane, don't the Customs and Excise actually pay you a visit and perhaps look and see how you're getting on?

MOORE: Well if you want that, but not as a matter of routine. But I'd suggest he has a look at the HMRC website and has a look and see what's in store for him and see if he feels that he can cope with it.

WHITING: Yes because he might be into things like flat rate tax.

MOORE: Yes.

WHITING: So you know it's relatively simple, but it's worth investing a bit of time in.

DUGGLEBY: Okay, Janet, now your call from Lydney.

JANET: Hello. Yes, I'm concerned about tax relief on charitable donations. I'm retired and I don't think this scheme was in operation when I was working, which is some time ago now. And I'm just wondering as I save £45 a month with this Charities Aid Foundation Bank whether there's any way I can claim tax relief on that?

DUGGLEBY: The answer to this ... I think you're probably talking about the Gift Aid system, which enables you to, with the Charities Aid Foundation, enables you to of course to get the tax relief when you make the donation to the Charities Aid Foundation. Then subsequently of course you write cheques on it.

MOORE: Yes, I mean I think Janet's thinking of the payroll giving scheme that employees can have whereby your employer takes off the charitable donation straight off your pay and then pays it over for you. But under Gift Aid, which is a different scheme, you can give your money directly to the charity or you can do it through the Charities Aid Foundation, and, as you say, you'll get the Gift Aid relief at the point when you put the money in there.

DUGGLEBY: The thing is, John, you don't actually see that. It's a sort of automatic. By ticking the box, it happens automatically. It's the charity that gets the money. You don't sort of ...

WHITING: The charity gets it back. It doesn't look to you as if you're getting tax relief, but the way it works is you are. Now the catch is that of course to get the relief to the charity, you've got to have paid enough tax. So somewhere along the line you will be ticking a box to say I am a UK taxpayer, I have paid enough income tax, capital gains tax to as it were cover the tax that in principle goes back to the charity. So if you're a non-taxpayer, Janet, then you're not going to get the charity any tax relief and technically the Revenue can come after you for the tax that they'd be

repaying to the charity. But the norm is it just as it were comes through in the wash. Of course if you're a higher rate taxpayer, then you have got the opportunity to claim more tax relief.

DUGGLEBY: And you put that on your tax return.

WHITING: Correct.

DUGGLEBY: And the point is, Janet, if you see the accounts that the Charities Aid Foundation send you, they will put you a credit for the tax that they've reclaimed; and when that comes onto your statement, you can then of course distribute that in any way you wish. But there is tax relief and I'm sure you're taking advantage of it. Right, now then, Bernard in Manchester?

BERNARD: Hello.

DUGGLEBY: Your call.

BERNARD: Yes, it's about tax codes. I have been on a teacher's pension for quite a few years and I have a tax code of 11,8119. When I went onto state pension as well last year, they decided to take all the state pension off the tax allowance and so leave me with a tax free amount of only £2,557, which is not in line with it. If the pension was treated as income in the normal way at 10%, 20% rather, I'd be only taking £1,379.26.

DUGGLEBY: Okay, well you've given us some figures. Obviously you're reading off a return.

BERNARD: I am, yes.

DUGGLEBY: I don't quite see how they stack up, but the principle here is the Revenue actually allowing for tax on the state pension which is paid gross.

MOORE: Yes, the state pension is taxable, as you know, but there's no way that the government can deduct tax from it before it's paid to you. So what they do instead is essentially they tax your state pension and your private pension both together and set your personal allowance against both of them in your tax code. I didn't quite understand the figures that you were relating there though, Bernard, I must say.

BERNARD: Well I can read it from here. It says that your personal allowance is 8,119, your state pension is 5,562. Therefore you have a tax free amount of 2,557. And the note below says: 'the pension state benefit is taxable, but the Department of Work and Pensions can't take it off you. So we've used some of your tax free amount to take care of the tax'.

MOORE: Well that sounds right.

BERNARD: It does?

MOORE: It's difficult to comment. We'd have to see the form really. I don't think we can ...

WHITING: I think probably what's going on here ... I don't know ... you've obviously got a second pension otherwise this wouldn't be happening, Bernard. The figure of 8,119 sounds a bit odd. It sounds as if you're getting a lower allowance ...

MOORE: Yes it does.

WHITING: ... because your total income has gone over the £20,000 or so mark at which you start to lose the actual higher personal allowance. So you're suffering a bit of claw back. The mechanics, the key point that you've got, which is that your personal allowance is restricted because of the state pension, it's in principle correct. Without being absolutely sure and seeing the figures, we can't be absolutely sure they've got it perfectly right. But the principle is clear and it's this oddity, as Jane's saying - the state pension is taxable but the only way they can effectively collect tax

on it is to reduce your tax free amount - and it therefore makes it look as if the tax on your main pension is much higher.

DUGGLEBY: Okay Colin in Liverpool, a sort of related question. He's saying that his wife's getting a small pension of about £8,000 a year in total and he has a pension which is £21,000, pushing on £22,000, so he's getting into this thing called the income limit - he doesn't describe it as that - where you lose part of your personal allowance. His question though is that bearing in mind that the combined income of the two of them is around about £30,000, is there any tax planning he can do to reduce the tax on the two of them by sort of transferring income or getting some form of allowance, Jane?

MOORE: Well the short answer is no, you can't transfer income which is ...

DUGGLEBY: Pension income.

MOORE: ... your entitlement to somebody else. The only thing he might perhaps be able to do if he's got some savings which are producing income, he could give the actual capital to his wife so that she gets the income from it instead, but he'd have to give them away completely.

DUGGLEBY: But if the figures are as stated - £22,000 pension to one, £8,000 to the other - there's not a great deal you can do about them because you can't transfer them.

MOORE: *(over)* If that's all they've got, no.

WHITING: *(over)* If that's all they've got. But it is this classic age allowance trap of higher allowances, higher income, then you're starting to lose the higher allowance and you're suffering a marginal rate of 30% rather than 20.

DUGGLEBY: Although actually, John, with the allowances going up quite sharply this year, I just wonder whether there's some people, they may just find that the

increase in the allowances which was done specifically and also the increase in the higher rate threshold, that maybe some people will be pleasantly surprised in this coming year by the above inflation rate.

WHITING: *(over)* They're still getting a bit more.

DUGGLEBY: They're getting a bit more?

WHITING: Yes, that's certainly fair comment.

DUGGLEBY: So it might be that it won't be quite as bad as that.

WHITING: That's quite fair comment, Vincent.

DUGGLEBY: Okay, now then, Bronwyn in Chester, your call?

BRONWYN: Oh hi there. I've been told that my job is at risk and I'm on a 90 day consultation period at the moment. The company's put forward terms for redundancy and there are three different amounts. One is statutory redundancy; the second one is compensation of 13 weeks pay; and the third one is what they call loss of office, which effectively is your notice period in your contract. My question is are all these payments tax free, and in particular the latter, as my contract of employment allows for payment in lieu of notice?

DUGGLEBY: Well the first £30,000 is of course tax free, but it depends what kind, doesn't it?

WHITING: Whoah!

DUGGLEBY: Yes whoah, I know - yes don't jump to too many conclusions.

WHITING: It is this great thing: £30,000 tax free - when I lose a job, whatever I get

is tax free. Sadly, as the song would have it, it ain't necessarily so. You do have to - and I think this is exactly what you're doing, Bronwyn - look very carefully at what it's for. Start at the beginning. Statutory redundancy - yes, that is a redundancy amount. That falls into the £30,000 tax free. What *doesn't* count as tax free is stuff from the contract. So of course if it's for basically finishing the job, still working, gardening leave, anything like that - taxable. So are payments in lieu of notice, so if there's something in your contract that says in simple terms we can fire you but we've got to pay this amount instead of allowing you a notice period, that's in the contract - it's taxable. And that's where this slight folk knowledge of £30,000 tax free does fall down a bit because the Revenue looks very hard and actually tries - certainly in my experience, I don't know about Jane's - to get as much as possible that *isn't* tax free.

MOORE: I think so. They very often look at payments when people lose their job and look at the components, yes. It's very difficult to convince them if it's contractual.

DUGGLEBY: It sounds as though your possible redundancy is being handled by you know obviously professional advisers or trade unions, so I imagine they'll do the best they can for you.

WHITING: They will. I'm sure that's the case. There will be a certain amount of discussion and arrangement; and in fact the Revenue sometimes say because of that oh well it's obviously *all* part of the contract.

DUGGLEBY: Indeed.

WHITING: But hopefully some of it will still be redundancy.

DUGGLEBY: Is this a large firm or a small firm, Bronwyn?

BRONWYN: It's a large firm, yes.

DUGGLEBY: Ah, well if it's a large firm, I guess it'll all be set out in very, very clear terms, so there won't be any ... I mean these things are usually negotiated with the Revenue in mind, if not sort of checking it by them to see that what they're doing is legitimate.

WHITING: Basically what we've got is statutory is tax free, statutory redundancy tax free. Pile-ons - payment in lieu of notice, finishing off the contract taxable. But there's sometimes grey areas - real ex-gratia, real compensation for loss of office - that isn't in the contract you will normally get as tax free, but needs a lot of care, particularly - I'm sure Bronwyn isn't old enough - but particularly if you're approaching retirement age because they sometimes argue it's a retirement scheme.

DUGGLEBY: Okay, a quick one from Aziz in Derby. He says, 'I pay tax under PAYE on my earnings. I've invested in National Savings, which pays interest gross monthly. When will I be taxed on this interest?' Jane?

MOORE: Well when you get gross interest, first of all you have to tell HM Revenue & Customs that you've got a new source of income, and then it can be collected from you, the tax on it, in one of two ways. One is to fill in a self-assessment return. The other is you can have an estimate of that gross interest included in your PAYE code. So it'll be a bit like when we were talking about tax on the state pension. You'll get the tax on the interest collected at the same time as tax is taken off your pay. And really it's up to you which you would prefer. Obviously you pay it sooner if it's in your tax code.

DUGGLEBY: Okay, and you have the choice?

WHITING: *(over)* ... you do get it collected. Well the Revenue are increasingly putting it into the tax code and asking you to sort of have a look out. So providing you think you can manage it, then in cash flow terms better to pay it the following 31st January. But don't forget that you will have a tax bill coming.

DUGGLEBY: Okay. Simon in Cambridge?

SIMON: Oh hello there. I'm still very confused with the Gift Aid scheme. I pay higher rate tax. You said earlier that it goes on your self-assessment, which indeed it does.

DUGGLEBY: Yeah, put it in the box marked 'Gift Aid'.

SIMON: Oh I do that too.

DUGGLEBY: Okay, right.

SIMON: But that gets claimed back at ... well I'm not even sure of the standard rate, but then I've seen public things through from charities that say it's at 25%.

DUGGLEBY: Yeah, we'll just recap it again. The basic rate is simply done at source, if you like. The charity claims it. John?

WHITING: Well let's just do a number. Let's suppose that Simon gives £800 to a charity. That's the amount he hands over. The charity is then entitled to claim £200 back because what it looks at is to say this is a £1,000 gross gift. Charity gets the £200 that in a sense Simon has deducted except he never saw that, and of course that's the 25% that is often bandied about. Simon, by putting that £800 on his tax return, qualifies for higher rate relief. He's got another £200 relief. Costs him a net £600.

DUGGLEBY: Okay, Simon ... No, beg your pardon, not Simon. Jennifer in Walworth, your call?

JENNIFER: Hello, I'm a self-employed artist and my earnings fluctuate greatly. If one year I have a large tax bill, could I reduce it by actually buying a piece of equipment for say £2,000 to £4,000, a laptop or something?

DUGGLEBY: Yes, I think you could.

MOORE: The short answer is yes, you get tax relief for the piece of equipment. It won't reduce your tax bill exactly. What it does, it will reduce your profits and then you'll have a lower taxable profit.

DUGGLEBY: But is it just reduced by a percentage then or ...

MOORE: No, all of it.

JENNIFER: Oh really?

DUGGLEBY: 100%?

MOORE: Yes.

JENNIFER: So what happens if I have a tax bill from last year and would like to reduce it this year?

MOORE: Well it's too late for last year. It's a question of reducing the profits in your actual year, so if you bought some equipment this year then you could set that against your profits and then that would reduce your tax bill the following 31st January.

DUGGLEBY: Just one very quick question on renting. This is from John in Castle. He says, 'We're renting out our house because we can't sell it. Can I offset the mortgage costs? And what if I don't make a profit after I've offset the mortgage costs? Do I need to even declare it?'

WHITING: Basically you need to tell them that you've got this rental business. You can offset the interest costs. If you establish a loss, then it's carried forward against the day when, fingers crossed, he'll start making a profit on his little rental business.

DUGGLEBY: Okay, we've run out of time. Thanks to John Whiting from

PricewaterhouseCoopers and Jane Moore from the Tax Faculty at the Institute of Chartered Accountants. A reminder of our information line on 0800 044 044. The website, bbc.co.uk/moneybox, where you can sign up for a podcast, have your say, and send questions in advance to Money Box Live. I'll be talking about the financial consequences of divorce and separation in next Wednesday's programme. In the meantime, Paul Lewis will be here with Money Box at noon on Saturday.