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MONEY BOX LIVE

Presenter: VINCENT DUGGLEBY

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DUGGLEBY: Few would disagree that the tax system is in a mess with millions of people due to receive letters before Christmas because they've paid too much or too little tax for 2008-2009. Fine if you're due for a rebate, but not if you get a bill for hundreds or maybe thousands of pounds. The Pay As You Earn system is supposed to ensure that the right amount of tax is deducted from your salary or pension every month as long as you have the correct code. But there are all sorts of reasons why things go wrong - change of job maybe, mixture of employment and self-employment, untaxed interest, a new source of income from investments, to name but a few. That's when you need to fill in a self-assessment tax return, so that any shortfall can be picked up in what's called a balancing payment due on 31st January after the end of the tax year in question. If you file online and settle up by that date, you should be okay; but for those who prefer the Revenue to do the sums, the deadline is coming up on 31st October. Now because tax planning involves looking forwards as well as backwards, you also need to take account of the allowances and reliefs which can reduce the bill. Some politicians don't seem to understand the difference between legitimate tax avoidance and tax evasion, which is against the law, and the proposed loss of child benefit for higher rate taxpayers has exposed various loopholes if it goes ahead as planned in 2013. And who knows what new tax shocks the Chancellor George Osborne has in store in the Comprehensive Spending Review next Wednesday afternoon on top of what we already know from the previous Budget, such as the increase in the higher rate of capital gains tax to 28% and the forthcoming rise in VAT and national insurance contributions? You can put your questions on self-assessment or tax planning in general to my guests. Leonie Kerswill is Tax Partner with PricewaterhouseCoopers; Anita Monteith is Technical Manager at the Institute of Chartered Accountants for England and Wales; and John Whiting is from the Chartered Institute of Taxation. Our number - 03700 100 444 - and our first call is from Tricia in London.

TRICIA: Yes, hello.

DUGGLEBY: Tricia?

TRICIA: Good afternoon.

DUGGLEBY: No, can’t hear Tricia at all.

TRICIA: I am on the line.

DUGGLEBY: Yes, I’ve got you.

TRICIA: Yes, I emailed Money Box because I had a letter earlier in the year saying I had a new tax code and I owed tax. Well I’ve sorted that out and they now say I don’t owe tax, but they want me to fill in a self-assessment. I’m 62 years old and all I have is a pension and a small pension from my last employer. I stopped working August 2009.

DUGGLEBY: Okay, so let’s get this clear. You’ve given up work during the 09-10 tax year?

TRICIA: Yes.

DUGGLEBY: That’s the tax year for which we’re looking at, Income Revenue are assessing income at the moment. So I’m interested as to why they let you off. What did they let you off? How much?

TRICIA: £470.

DUGGLEBY: Okay, well let's get the panel just to comment on that. Leonie?

KERSWILL: Hello Tricia. This was money … tax that you actually owed, was it, that they've let you off?

TRICIA: No, I don't … I really am not quite clear about it.

KERSWILL: Okay.

TRICIA: I have been PAYE all my life. I was with my last employer since January 2005. So I had no reason to suppose that you know there was anything wrong, and then this came out of the blue. In January of this year I got the letter.

KERSWILL: And you've sorted that out?

TRICIA: I have, yes.

KERSWILL: My guess would be they want you to fill a tax return in to make sure it's right going forward for the future.

DUGGLEBY: John?

WHITING: I think so. I don't think there's anything sinister in being asked to fill in a tax return. And in fact it's fairly typical, I find, when people stop work, they've always been dealt through PAYE. The Revenue suspects - quite correctly in many cases - that you're getting into two or three pensions. Now that may be wishful thinking, Tricia; but if you have a state pension, your employer's pension and possibly a bit of private pension or even a bit of self-employment, it's the only way the Revenue are going to check up and actually get a handle on what you've got and try and get your code right or not too badly wrong.

DUGGLEBY: Yes, I mean I guess this applies, Anita, to all people whose circumstances change? And obviously the end of working life is one of these you know most important events, and the Revenue probably could lose track of you altogether if you break your connections with the firm you work for.

MONTEITH: Yes, that's right. I think Tricia's call also highlights a big distinction between paying tax under the PAYE system and doing a self-assessment tax return. PAYE generally is quite accurate - not always - but the idea is that it tries to approximate the right amount of tax. But the self-assessment system - if you do a tax return, then you should be paying exactly the right amount of tax, Tricia, and so going forward you'll have more certainty about you know having settled what was due.

DUGGLEBY: But, Tricia, you will of course come into the system I mentioned at the beginning, which you pay your tax in two instalments. This is untaxed income. If there's no other means of collecting it through PAYE, then they do charge you direct for the tax and you have to pay it in two instalments.

TRICIA: I see.

DUGGLEBY: That's one on 31st January and another one on 31st July.

WHITING: I mean just coming back to another reason for Tricia's return and indeed the bill that wasn't a bill, that you need to say she stopped work during the year. It depends on the amount of income she's got, but of course she could have been paying under PAYE at a higher rate or maybe she didn't get all of her personal allowance. So, again, the last year of working, it very often is a year when tax codes arrive. It's worth filling in a return to make sure you've got the right allowances and the right bill.

DUGGLEBY: Well for the benefit of other listeners, the figure of £300 has been mentioned by the Revenue as being the amount they're going to generally write off as not to be collected. She's mentioned £430. We shouldn't read into that that you're necessarily going to get £430.

WHITING: No. And also that £300, Vincent, we've got to be careful. Normally £50 is the de minimis that they don't collect; but under this fun exercise that we've got going on at the moment with this reconciliation of PAYE records for the last two years, started last month, then they've upped the limit to £300. But clearly Tricia's was earlier in the year, before this current exercise. Wouldn't have applied.

DUGGLEBY: On the subject of income in retirement, Jack in Gosfort's emailed us and he's got no fewer than four annuities. That's four pension plans with different providers. And he says the Revenue just consistently are getting his tax wrong. Every year he ends up with a different tax office and every year he ends up with the wrong assessment. And he says, rather touchingly, 'Is there a magic phrase I can use, so the tax office will get it right?' *(laughter)*

MONTEITH: Please help. *(laughs)* If he discovers it, could he let us know?

WHITING: Well, yes.

DUGGLEBY: There isn't one. But, John, what's this problem with multiple annuities? I mean they presumably just don't know where to put the coding?

WHITING: Yes, I mean you've got one basic allowance - 6475 if you're a basic taxpayer under 65, obviously higher if you're over 65. That has to be allocated over your sources of income. The tendency is to put it to one - but hang on a minute, that might not be a big enough source to absorb it, so then the Revenue try and spread it over two or three. And I'm afraid I can identify with this. I was visiting a couple of people in the Tax Help for Older People home visit and they got precisely this sort of situation where the code had just broken down, and I'm afraid it's another situation where very often you need to fill in a little form after the year end to get it right.

DUGGLEBY: Okay.

MONTEITH: But going forward, the new computer system that the Revenue has just put in should actually have some good news for it because the idea is that it'll get rid of those problems. Instead of having twelve regional offices, they're just going to use this one central bank.

DUGGLEBY: Ah, right.

WHITING: And should get automatic reconciliation after the year end, fingers crossed.

MONTEITH: We'll see. Give us 12 months. *(laughs)*

WHITING: *(over)* We'll resume in a year's time and see if they've got it.

DUGGLEBY: I detect a hint of scepticism. Right, Ian in … No, I beg your pardon, it's Mary in Vauxhall. Your call, Mary?

MARY: Oh hello, thank you. I have problems with the self-assessment, which I do myself, which are quite longstanding. The problem is communicating with the tax people and who can I talk to and do they know what they're talking about? The main problem is that I have a very small foreign pension, but not too small to say don't bother. First of all, when I tried to do self-assessment online, I went through the whole process and then discovered that it couldn't cope with anything foreign.

DUGGLEBY: Yes because that's not in the form.

MARY: No. And then I found it more and more difficult to find out whether it was going to be. And last year when they penalised you for not doing it online, I thought well they must have sorted it out and I went through the whole … And I asked about this and I was told that it could be sorted out. I went through the whole thing. I put it in. I could see from their calculation that they were not accounting for it. And so I did what I've done before when they've seemed to not get it right, which is to write them a note. I was told later that the note, they don't look at. They only take account of …

DUGGLEBY: *(over)* I'm going to stop you there because I have a feeling we could go on for the next half hour.

MARY: Oh I'm sorry. Can I just come to the main …

DUGGLEBY: Yes.

MARY: The main thing is I know what I owe them, I paid them what I owe them. They think I owe them less. They sent me a thing saying that they owed me money. Because of the new system, they've calculated it back and so they owe me even more. I told them they didn't and I've been trying to find someone to talk to about it. I haven't found anyone. Instead they have automatically paid a large amount into my bank account which they don't owe me without asking me if they can.

DUGGLEBY: Okay I'm going to stop you there before the entire studio erupts in laughter. But I mean there is a serious side to this, John, isn't there? I mean the Revenue have got fairly draconian powers, but it seems to me that Mary has bent over backwards, doubled, sideways and everything else to try and get it sorted.

WHITING: Yes. I mean very topical because a lot of people are going to get repayments and you do have to check because in strictness if you do take a repayment, bank it, spend it when you know it wasn't due, then the Revenue can come after you under the Theft Act in extremis and I'm quite sure that Mary …

DUGGLEBY: *(over)* I don't think the commissioner … I would go to the commissioner's. I don't think they would uphold that at all.

WHITING: *(over)* No, but you do have to make that point.

MARY: *(over)* They banked it without asking me.

DUGGLEBY: Yeah because it goes straight through on a direct transfer.

WHITING: Yes, I know.

MARY: I told them not to.

WHITING: *(over)* All you can do is keep trying to give it back. I don't know, Leonie. How do you think that would work?

KERSWILL: *(over)* Mary, I was …

DUGGLEBY: Seriously though …

KERSWILL: … *(laughs)* … moving rapidly on.

DUGGLEBY: *(over)* Seriously, I mean if you write a letter which it says quite clearly …

MARY: *(over)* To who?

DUGGLEBY: Well you have to write to the tax office.

KERSWILL: No Mary, what I was going to suggest. I think now the tax return does have the right pages on it that you can file it online with the foreign pension on it. I think the next point is it shows that writing letters doesn't always work - in your case doesn't seem ever to have worked. There is the white space boxes on the tax return.

MARY: I've tried that.

KERSWILL: You've tried that one as well. In red?

MARY: Won't work.

KERSWILL: Have you been to a tax office?

MARY: I can't find out what tax office I should go to.

DUGGLEBY: Well I'm going to make a suggestion.

MARY: I've got several and they're all miles away.

DUGGLEBY: I'm going to make a suggestion here, Mary, because there's a man called Mr David Hartnett who appeared on this programme a couple of weeks ago and he gave an interview which I think he regretted afterwards about what the taxpayers were or were not … should do. I think he's in a fairly contrite mood and I personally would write a personal letter to him and say that you appeared on the Money Box programme on this day and you are aware that Mr Hartnett also appeared on the Money Box programme and could he please offer you the benefit of his advice.

WHITING: And I can think of somebody else at the Revenue I can give Mary off air.

DUGGLEBY: Seriously, go to the top.

MARY: Can you tell me where in the Revenue to contact?

WHITING: Well I'll contact you. I'll give you the name and address separately, Mary, when we're off air.

MARY: Thank you.

DUGGLEBY: The Inland Revenue itself, head office. You can write to the head office.

WHITING: I'll give that after.

DUGGLEBY: Yeah, we'll do that later.

MARY: Thank you.

DUGGLEBY: Alright, thank you for that call and we'll move on now to Ian in Lewes.

IAN: Oh hello there.

DUGGLEBY: Your call.

IAN: Yes, hello. Can you hear me?

DUGGLEBY: Yes, I can.

IAN: My question is this. I intend to start up a new business shortly. I am going to set up a private limited company because that's what my suppliers wish me to do, so I don't have any alternative than that. And I wanted to know how would that impact on my income tax position? I appreciate that I'll be liable for corporation tax as a business, but I just wondered how does that interact with income tax as a personal taxpayer? I ought to say here that I was on a PAYE employed job, which I no longer occupy, so I will cease to be a PAYE payer.

DUGGLEBY: Okay, Leonie?

KERSWILL: Right, there'll be two aspects to this. First of all you'll have to register the company, so it can pay corporation tax, and probably register it as an employer. And then for your own position, presumably you'll be thinking about whether you take out money either as a dividend or a salary. If you're going to take it as salary, then even though it's your company, it'll be a similar position to when you were an employee, so PAYE code hopefully will collect everything due. If you're going to take out a dividend and you're a higher rate taxpayer, you're going to have to fill in a self-assessment tax return to collect the additional tax.

IAN: Is there a possibility of me doing both?

KERSWILL: Yeah absolutely, mix and match.

IAN: Can I take some money in dividend and some in salary?

KERSWILL: Yes, yes.

IAN: And presumably I could take salary to … I'm not a higher rate taxpayer at the moment. I could take salary to take me just below the higher rate threshold and the dividend beyond that, presumably?

KERSWILL: That might not be the best answer. You need to probably do a mix and match calculation to see what will work.

WHITING: Yuh, I mean it is actually quite an interesting balance this, Ian, because obviously it depends on what other factors you've got. I don't know if you're married, whether you have a wife to employ in the business.

IAN: I am and I did have a rider question if I'm allowed.

WHITING: And the whole thing as to how you split up the profits can be quite delicate because obviously if you pay yourself salary, your international insurance as an employer on that as well as you're an employee - national insurance dividends don't carry national insurance. So obviously it depends a lot on the level of income but what a lot of people will do is pay a fairly modest salary, pay enough to at least get you into the national insurance, keep on the state pension, consider paying your wife for the job she does, and then look particularly after the year end to dividends or possibly bonuses.

DUGGLEBY: I'm going to have to move on because I've got an awful lot of calls in and I've got a couple of emails which are again, like yourself, people who are employed and they're getting a second source of income. They're not actually setting up businesses. They are becoming self-employed, so self-employed sole traders. But in both cases, panel, they've got existing PAYE jobs. Now one says he's become self-employed as well from October 2009 and he's applied to the Inland Revenue for an activation code to file his self-assessment statement online, but he's puzzled as to how these two are going to inter relate and what tax is going to be payable when because the PAYE system won't really have anything to do with this arrangement, will it Anita?

MONTEITH: No, that's right. If he set up his business in October 2009, he actually has …

DUGGLEBY: It's a year ago.

MONTEITH: … technically he has until 31st January 2011 before he actually needs to have told the Revenue he's started a new business. But if he left it that long his national insurance payments, in particular his class 2 national insurance payments, would be way in arrears. So what he's done, quite correctly, is to notify the start of his business. Possibly it sounds like he's fairly e-literate, so it sounds like he might have done that online already.

Editors note about registering as self employed: You should tell HMRC as soon as you start working for yourself. If you delay registering, you may have to pay a penalty. Information can be found by calling the Newly Self-employed Helpline on 0845 915 4515 or through the website at HMRC: First steps to register as self-employed http://www.hmrc.gov.uk/selfemployed/register-selfemp.htm

DUGGLEBY: Yeah, he's going to presumably file his first set of accounts online by 31st January? That's still the date for the first set of accounts?

MONTEITH: That's right, yeah. 31st January 2011 will be the deadline for his tax return if he's doing it online for 2009-2010 - the year in which he started. The other thing he'll need to do is to consider whether he needs to register for VAT. I mean he hasn't mentioned that at all.

DUGGLEBY: The second email is from Walter in Rochdale and he says he's currently employed and he's now got the opportunity of getting some self-employed work for two evenings a week. Yes, he wants to do that. And again he's got this problem of how he's going to … He hasn't yet done this. And he has a supplementary of saying he's got a company car. How does that fit into the equation and can he use it for his self-employed business? First of all, John, this question of the dates because this hasn't happened; but the dates from when it happened, what does he have to do?

WHITING: Well from when he starts in business, he has to at least sort of think of the sort of things Anita's been referring to and notifying the Revenue in due course.

DUGGLEBY: So let's assume it's this month, for example.

WHITING: Yes, I mean he may want to just tell the Revenue immediately just to get it out of the way. It's actually quite good practice. And bear in mind that he will in due course have to pay tax on the money, so he might want to just put a little bit aside for that. In terms of the company car, that's an interesting one. I'd be looking at what his employer says he can do with the car because some will …

DUGGLEBY: Insurance.

WHITING: Indeed. Some will not allow it to be used in another business. I don't suppose he'll be up to the VAT registration threshold which the previous caller might have been, which is £70,000 a year.

DUGGLEBY: No, this is only two days a week. But you can see that it will generate extra income, and this income again will fall outside the PAYE system and this is where a lot of the problems occur. The Revenue don't know you've got this additional source of income until you tell them and then you've got to start filling in the forms and preparing your profit and loss accounts and so on. So that has to take place. Now wait a minute, Anita, you said the last one was October and has got to go for January 2011. We think this one will be January 2012, don't we?

MONTEITH: If he starts now, we're in October 2010. That's the tax year, 2010-2011. So he actually has until well 5th October 2011 to tell them that he has a new source of income and it would be the following 31st January, so 2012, if he's going to file online. Don't forget though, 31st October is the paper filing deadline.

DUGGLEBY: It's the paper one we're talking about specifically. Right Leon in Hastings, you've been patiently waiting for your call to come up and it has.

LEON: Thank you. Over the past few years a number … well a number of companies that I've had shares in have gone into liquidation or been taken over for a small amount. How far back can I go on my tax return to reclaim any losses over any profits that I may take in the future?

DUGGLEBY: Right. Now technically speaking, of course, if your profits are less than, what is it, £10,000 …

MONTEITH: £10,100.

DUGGLEBY: … you don't have to fill in anything at all. But if you've got these collection of small losses, are you supposed of course then to fill the form in to claim the losses? But you probably haven't done that, have you Leon?

LEON: Well no, I haven't. I mean I've tried to contact the tax office and they say it's not our remit.

DUGGLEBY: Well they won't send you the capital gains tax form unless you actually ask for it anyway. So if you don't ask for it because you haven't got any gains, what I think has happened to you is you've of course forgotten that losses are worth something, aren't they Anita?

MONTEITH: That's right. And you'll want to claim them, so that you can establish that they exist, so you can carry them forward.

DUGGLEBY: How many years can you go back?

MONTEITH: Well at the moment you can still go back 6 years if you've got open years, but that's going to be changing down to 4 years, yes.

WHITING: *(over)* It's going to be changing to 4. But I mean this is why I mean in a sense the Revenue have in recent years introduced this procedure where you're supposed to put the losses on your self-assessment form. But as you say, Vincent, very often people will make relatively small losses. Ian won't have a form to fill in and they just forget it and lose them.

KERSWILL: I think actually it may be worth just looking at - and I'm going to admit I don't know the answer here - but I think possibly you only claim your loss when you've got a claim to set it off against.

WHITING: Profit to set it off against, yeah.

KERSWILL: So you want to work out what they are because I'm assuming maybe you want to use it this year …

WHITING: But that's putting it on the form.

KERSWILL: Yes. And if this year you've got a gain, then you can claim all those back losses, I think, because the gain is this year.

DUGGLEBY: Without limit? Without time limit?

WHITING: Oh no.

KERSWILL: Well I think the claim is in the year.

LEON: *(over)* But do I have to register it even if I'm not making the claim? That's what I'm trying to …

WHITING: That is what the Revenue want you to do nowadays.

KERSWILL: It's worth doing, yeah.

DUGGLEBY: But we think that if you put the gain on the form and it's a taxable gain, that the form of course also is the place to put down any taxable losses you have to offset against it. If you then put down your taxable losses, I suppose they would then have to go back through your paperwork to see if you'd claimed them earlier. Well they wouldn't find anything because you haven't done it. But whether they would disallow them, it depends on the number of years. I suspect if you tried to go back 20 years, they'd probably say no.

LEON: Oh no, no. I mean it's only you know in the last 6 years. I mean the latest one was Aero Inventory, which looked pretty good *(laughs)*…

WHITING: You've got the documentation. You can establish the losses. You've got the amounts. I'd certainly try and claim them, although technically - as we've said - you know strictly the Revenue like you to log it as you go along.

LEON: I see.

DUGGLEBY: Right, we've got another question - an email from Marion on capital gains. She says, 'My husband transferred 6,000 shares into my name and I subsequently sold them. I need to work out the capital gains tax. So what is the acquisition price? Is it the price on the date that he transferred the shares to me, or the price that he originally paid for the shares, and what documentation do the tax office require?' Anita?

MONTEITH: It's the cost to her husband. It's the original cost she should be looking at. That is assuming that they bought them in relatively recent times because there are special rules if you've held your shares for a very, very long time.

DUGGLEBY: I mean we don't want to go into the fact that indexation's stopped and tapering has stopped. The fact is it's a flat 18% if you're a basic rate taxpayer on the difference between the acquisition cost and the sale proceeds.

MONTEITH: Her proceeds less its cost.

DUGGLEBY: Or 28% if it knocks her into a higher …

WHITING: Or partial, not forgetting the annual exemption code of £10,100.

DUGGLEBY: Indeed. But to be fair, I mean John it's a perfectly sensible … I hate to use the word 'tax avoidance' but it is just plain legitimate tax avoidance to transfer shares to possibly a lower …

WHITING: Absolutely.

DUGGLEBY: I bet her husband's a higher rate taxpayer probably and she's …

WHITING: Or just the sort of routine thing if the husband and wife, one of them owns a large block of shares, split it between the two. Then you both steadily sell it and you're both using up your annual exemptions. Yes, that's avoidance. It's also perfectly sensible tax planning.

LEWIS: Okay.

MONTEITH: Or she may have had losses like our last caller.

DUGGLEBY: Indeed, yes.

MONTEITH: Want to use those up.

DUGGLEBY: But we mustn't get too squeamish about husbands and wives or indeed anybody …

WHITING: *(over)* No, I quite approve of husbands and wives. *(laughter)*

DUGGLEBY: … to organise their tax affairs, so as to avoid the Inland Revenue putting their largest possible shovel in ……. Right Patrick in Fareham, your call.

PATRICK: Oh good afternoon.

DUGGLEBY: Good afternoon.

PATRICK: Yes, I was ringing quickly. I retired some 3 years ago, 62, and have just had my 65th birthday. When I retired, I had three pensions on which to retire - luckily enough - one being a forces pension, the other two occupational. I filled in a form in August as soon as I knew what my new pension rates were going to be for the coming year and sent it to the Revenue in order for them to recalculate my tax code. They sent me back a tax code, and briefly they have included in the tax code my full annual state pension figure, which (because I have a second state pension as well) is something like £3,000. Now this has given me a negative tax code. Now I've been in touch with them and asked them why they are applying the full allowance for this year when I filled in this … I think it was a form 161 which told them what the pro rata rate would be.

MONTEITH: Patrick, I'll stop you there. The reason why is that they're simply wrong, so I think you need to ring them up again and explain and ask to have your tax code adjusted. By the way, you mentioned you're 65 this year, so I hope you're getting the higher age allowance.

WHITING: In full for the year.

MONTEITH: Absolutely.

WHITING: £9,490 this year.

DUGGLEBY: Unless your income falls into the claw back.

WHITING: Unless you start getting some clawed back. But they should at least start with that amount.

PATRICK: That's on £28,000, is it? It has to be in excess of that, I think.

DUGGLEBY: It's above the income limit.

PATRICK: But they did say that this whole figure was applied because they had no way of putting it on their computer as a pro rata rate.

WHITING: Well I'm afraid that is in practice what does tend to happen an awful lot, Patrick, and I fear there's going to be a bit of to-ing and fro-ing; and by the time you have got it sorted out, you may have be at the year end …

KERSWILL: Do a tax return anyway.

MONTEITH: But they can do a manual adjustment, Patrick, and that's what they need to do.

Editors note: Information the state pension and tax can be found at:

HMRC: Tax on your state pension

http://www.hmrc.gov.uk/pensioners/pension-statepension.htm

HMRC Approaching retirement or State Pension age
http://www.hmrc.gov.uk/pensioners/approaching.htm

HMRC: Tax and National Insurance after State Pension age
http://www.hmrc.gov.uk/pensioners/paying.htm

DUGGLEBY: Except they're absolutely up to their eyes in …

PATRICK: It's about £750.

KERSWILL: Yeah, that's a lot of money.

DUGGLEBY: The trouble is they're up to their eyes in these things.

MONTEITH: You'll need to hang on the phone a long time.

PATRICK: Okay.

DUGGLEBY: You know the Inland Revenue are just frantically trying to manually check everything and it's going to take months and months and months. And I mean we've had calls in saying people are still waiting for replies to letters written in June and things like that. What's going on? Well I mean the trouble is they're not getting the responses. Pressing on quickly, this is an email from Anthony in Beckenham. And he says, 'I'm a personal fitness instructor, self-employed. What deductions are available for me such as work wear, trainers, sweatshirts, t-shirts, part of my rent in an office, computer expenses and so on?' Well the computer expenses and software in the office, I mean that's fairly straightforward because that's factual. But the more interesting bit is the clothing because we've had some interesting issues about what constitutes clothing for business and what constitutes clothing you can wear for your personal use. Any …

KERSWILL: Clothing's always interesting. I think what I would do is if you've got a name as a business, I would brand all your clothing with logos. So whatever you call your business, put that on your clothing, put it on shoes, etcetera. I think that's always very helpful when you're trying to claim expenses.

WHITING: Because it really shows it's for the business, doesn't it yes?

KERSWILL: Yeah.

WHITING: You're always going to be in arguments over ordinary clothing. But if you are self-employed, then you know ...

DUGGLEBY: Yeah, this is specialist. This is a legitimate occupation which would require special clothing. It's just a matter of how much you can swing onto it.

WHITING: But you know fundamentally it's got to be uniform specialist protective gear. We all know the barristers wigs and things.

DUGGLEBY: One quick final question in a sentence from Ray in Scunthorpe.

RAY: Thank you. Yes, it's about Give As You Earn. I've been paying under the scheme ever since June 2000, but I don't think I'm getting the recognition in my tax coding. Do I have to claim it in a tax return and, if so, where?

DUGGLEBY: Okay, that's it, that's it. Just answer …

RAY: … and should it appear as an identical item on my statement?

WHITING: It should be deducted very simply from your pay, so you should just be getting the tax relief just by in effect getting a lower pay.

DUGGLEBY: Okay, we've run out of time, I'm afraid, but thanks for all your calls and thanks to Anita Monteith, the Technical Manager for the Tax Faculty of Chartered Accountants for England and Wales; Leonie Kerswill who is the Tax

Partner at PricewaterhouseCoopers; and John Whiting from the Chartered Institute of Taxation. Our website, bbc.co.uk/moneybox, has contact details where you can get more information. You can also read a transcript of this programme and previous programmes. Paul Lewis will be here with the next Money Box at noon on Saturday. I'll be back with Money Box Live same time next Wednesday afternoon to explain what effect the Comprehensive Spending Review will have on your financial well-being.