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## **MONEY BOX LIVE**

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**LEWIS:** Hello. Tax. It doesn't have to be taxing, but a lot of hard work over the years by politicians, the Revenue, and (I have to say) by some accountants mean that the tax rules are hard to understand and sometimes difficult to obey. So today's Money Box Live is all about tax. There are two key deadlines next Tuesday. If you're among the 9 million people in the self-assessment net, you have less than a week to file your form electronically or face a £100 penalty. I'm told there are still 2.7 million people who've not done it yet. They face the penalty. But if you get one, how can you appeal? If you're paid tax on interest in 2005/6 - this is the other deadline - and you were not a taxpayer in that year, then you have to reclaim that by Tuesday or the Revenue will snaffle it forever. So today we cast light on those dark corners of tax rules that may be puzzling you. How do you make sure you're paying the right amount? What happens if you lose your job and then get another, or perhaps have two jobs or pensions? How is the tax worked out? Have you received a tax demand for money you didn't know you owed? How can you challenge it? And is an email saying you're owed tax by the Revenue always a scam? Whatever your questions on tax, call Money Box Live - 03700 100 444. With me today to answer those questions are Jane Moore, who's Technical Manager at the Institute of Chartered Accountants in England and Wales. Chas Roy-Chowdhury is Head of Taxation at the Association of Chartered Certified Accountants. And Leonie Kerswill is Tax Partner at PricewaterhouseCoopers. And our first question is Tony who's in Skelmanthorpe in West Yorkshire. Tony, your question?

**TONY:** Hello. The nuts and bolts of my question are I've been told by the Inland Revenue that I will be fined for late registration as self-employed and I learnt today that next Tuesday is the cut-off date for self-assessment applications. Will that be another £100 fine because I've not had an assessment yet? As I say, there's a story behind this. Do you want that story?

**LEWIS:** Well probably not in detail, Tony. But just the essence of it is have you just been told you have to fill in a self-assessment form?

**TONY:** No, I registered with national insurance in about March or something 2010.

**LEWIS:** 2010, okay.

**TONY:** And then I phoned the Inland Revenue because I thought that's what I had to do, and they told me yes they had a record that I'd registered for national insurance. No mention was made of self-assessment. I've never been self-employed before. I needed my number, the personal reference number for something else ...

**LEWIS:** The tax number, yes.

**TONY:** Yeah recently, and I phoned them up and they said oh you're not registered for self-assessment.

**LEWIS:** Ah right, okay.

**TONY:** So they said I will be fined for that, but that was easily appealable.

**LEWIS:** Fined for not registering ...

**TONY:** Yeah.

**LEWIS:** ... and now fined for being late with the form?

**TONY:** Well they haven't said anything about that. I mean I only learnt today that it was next Tuesday.

**LEWIS:** Let's get Jane Moore's expert advice here. Jane?

**MOORE:** Right, there are two different things really. One is the late registration and whether you might be fined for that. The second is doing the tax return. And if you haven't yet been sent a notice to file or a tax return form to fill in, you won't have a penalty for late filing. You'll actually have 3 months to do it.

**LEWIS:** And just be clear about the registration because that's an important rule because more and more people are coming self-employed. You have to tell the Revenue, don't you?

**MOORE:** You do, and you can do it online or you can use a form called a CWF1. But usually you'd register for tax and national insurance at the same time, so I'm not quite sure what's gone wrong in this case.

**TONY:** Well I made an assumption on my first phone call to them that that was all clear because they said they had a notice that I was paying national insurance, you know they had a record of that, but nobody went on to mention the word self-assessment. So I mean in part it was my ignorance, but I don't think I was properly informed. They have said that's easily appealable.

**LEWIS:** Right. What, the initial penalty's appealable? They're all appealable, I suppose. Chas Roy-Chowdhury?

**ROY-CHOWDHURY:** The only thing I'd add is really that you said you started working in March 2010, so if you didn't actually have an income, there may not be ... you may not have too much to worry about. But clearly you need to make a tax return on time, but you've got 3 months from the time that you actually receive that. So I think you need to make sure you get your business registered, get your tax return sent

to you, and then just submit that if there is one. But by the sounds of it, you haven't really got any real liability to worry about in terms of tax.

**LEWIS:** And just to be clear, the 31<sup>st</sup> January deadline is people who are already registered and have a tax return, isn't it? If you have a tax return, it has to be back by 31<sup>st</sup> January. But if you haven't been sent one, you have ...

**ROY-CHOWDHURY:** Three months.

**LEWIS:** Three months from when you actually get it?

**MOORE:** (*over*) Three months from the date ... Yuh.

**TONY:** That's very clear. Thank you very much.

**LEWIS:** Alright Tony. Thanks. Good luck with that and good luck with your new business. Gilly is now calling from Pembrokeshire. Gilly, your question?

**GILLY:** Hello there. Yes my question is a little bit similar to the guy previous ...

**TONY:** Tony.

**GILLY:** Yuh. But I was told about 3 weeks ago that I should have submitted a self-assessment form. I telephoned to ask why and it was explained to me that in fact because I was a pensioner, I didn't need to, so I rested easily. However yesterday I had another letter saying that I am required to do a self-assessment online. So slightly panicked, phoned up, and they say yes you do have to do one. So I registered today online, got my user ID and was told that I would have to wait up to 7 days to get my PIN number. Now that isn't going to get here by the time I have to do it on Tuesday. To add to it, I'm away on Monday, away from home, so I won't be here to get any post that does arrive. I questioned whether I'd have to pay the £100 penalty and I was told that if I put a letter of mitigation in, I might get away with it, I might not.

**LEWIS:** Leonie Kerswill?

**KERSWILL:** Yeah, I think there's two things you need to think about doing for next Tuesday. Firstly, if you actually owe any tax, it's important that you pay that.

**GILLY:** I don't know if I owe any tax.

**KERSWILL:** No, okay. Let's just put that aside for the minute. I think you'll almost certainly be able to mitigate the £100 penalty for the late filing because the Revenue even say one of the possible excuses is if you get given misinformation. So I think that bit's fine. Do you have complicated pension arrangements or anything?

**GILLY:** No not at all, not at all.

**KERSWILL:** No, so it's probably unlikely you owe any tax either. So I would just go away Monday, Tuesday, enjoy your time away and then come back. And really don't worry about it, but get in touch with the Revenue as soon as they try and issue a fine.

**LEWIS:** But the key thing is, Jane Moore, she will get the penalty but then she'll have to appeal it under these reasonable excuse rules?

**MOORE:** Yes. Well you don't actually have to wait for the penalty. If you think you've got a reasonable excuse for filing late, you can send in the letter with your retur...

**GILLY:** (*over*) Oh I could do it now?

**MOORE:** Well you have to send in the return with the reasonable excuse explaining why it's late, if it is late. But I just do wonder in Gilly's case, have they actually sent you a return form?

**GILLY:** No.

**MOORE:** They've sent you a notice to file? And just recently?

**GILLY:** No, my latest one I received yesterday just saying that I need to complete a tax return for the year ended April 2011.

**KERSWILL:** I think you might have 3 months.

**LEWIS:** We think you've got 3 months.

**MOORE:** Like the first caller, you have 3 months from when they actually tell you you need to do it.

**LEWIS:** Okay, thanks Gilly. We think you've probably got a bit longer, so don't panic but always put in that letter. And I think it is true, isn't it, that this year - because the penalty is charged whether you have to pay any tax or not - there's a lot of fear out there? And we've had an email from Keith who says, 'I'm a higher rate taxpayer. I haven't been told by HMRC to complete self-assessment. Does that mean I don't have to?' He's worried he might have to pay a penalty anyway. But they have to tell you, don't they?

**MOORE:** They have to tell you. And a lot of people, even if you're a higher rate taxpayer, you may probably not have to do a form ...

**LEWIS:** If you're on PAYE.

**MOORE:** If you're on PAYE, unless you've got something complicated in which case the Revenue should tell you. Or if they don't know about it, you should tell them.

**LEWIS:** Yes. And there are people, Chas Roy-Chowdhury, who have to fill in forms even if they're not higher rate taxpayers, aren't there?

**ROY-CHOWDHURY:** Well that's right. And I think if you're self-employed, if you've got any kind of income that isn't taxed, you need to make sure you submit a tax return and pay the tax.

**LEWIS:** Rental income or something like that, yes ...

**ROY-CHOWDHURY:** Exactly.

**LEWIS:** ... which is common among people in the armed forces, I know. Anyway thanks for the email, Keith, and thanks for your call Gilly. And we'll move on now to Gina who's in Hampshire. Gina, your question?

**GINA:** Hello, yes. My question is I've done an online form, I've paid the tax that I owe for tax year up to April 11, but on the online they want prepayment for 6 months of next year's tax or this current year that we're in. Do I need to pay that? If I don't pay it, will I be fined? What's the situation?

**LEWIS:** Right, Chas Roy-Chowdhury?

**ROY-CHOWDHURY:** The way the self-assessment system works is that you have to make a payment on account in the year 31<sup>st</sup> January; a payment after the year, which should pretty well get rid of the liability you owe at the end of July; and then again the final ... any balancing amount on 31<sup>st</sup> January. So unfortunately you will have to make that in year payment, but it's something which you probably would be able to cover from the income you receive, so hopefully it won't be too onerous on you. If you do have problems, you can talk to the Revenue about time to pay. You can have greater time than just purely that deadline to pay the tax. But do speak to them if you feel there are financial problems for you.

**GINA:** Okay. So the fact that I haven't paid it at the moment and the direct debit will unlikely get in by Tuesday will probably mean that I can still get away without getting fined for that?

**MOORE:** Well there's no penalty on late payments on account. It's only the balancing payment for the previous year that gets the penalty for late payment. You just get interest if it's late.

**LEWIS:** Yes, it's worth making that point, isn't it - that it's actually the form not being back that incurs the automatic £100 penalty and later penalties if you don't do it within ...

**MOORE:** Well I think we're talking about two things, aren't we, because late payment penalties and late final penalties are two separate things.

**LEWIS:** That's right. But late payment penalties are simply interest on the tax that you owe if you owe any.

**MOORE:** Until 31<sup>st</sup>,.

**KERSWILL:** (*over*) The 31<sup>st</sup> March, yeah.

**MOORE:** Yeah.

**GINA:** Okay, that's reassuring. Thank you very much.

**LEWIS:** Okay, well thanks very much for your call, Gina. This question of payments on account does confuse people, doesn't it, because you make your payment. The online form doesn't even take account of payments on account you made last year, so it is all a bit complicated.

**KERSWILL:** Yes.

**LEWIS:** I mean could one of you just explain that sort of timetable about payments on account because when you work out the tax, you think it's that tax, but actually you've already paid it.



**ROY-CHOWDHURY:** Yeah, I think the problem is, Paul, that there is basically 2 years going at the same time. If you're in self-assessment already, you have to make the payment on account in the year. And at the same time, you may have a final payment to make on 31<sup>st</sup> January, so there are two payments going out at the same time. You've then got the after year payment on 31<sup>st</sup> July and it goes round in cycle to 31<sup>st</sup> January again when you've got that year's on account payment and the final balancing payment from the previous year. So it's a highly complex twin track between the ... There's one set of penalties for the return. There's another set of interest and penalties for the payment. So you just need to be very careful and just keep track.

**LEWIS:** Yes and you have to work out the payment you were due to make by deducting the tax you've already paid on account, which isn't done by the online system which seems bizarre.

**MOORE:** But you can of course reduce the payment on account. If you think your liability for this current year will be less than the year before, you can reduce the payments on account down to something, to a better estimate.

**LEWIS:** Yes. Though of course if you're wrong, you get charged interest.

**MOORE:** Only if you're wildly and deliberately wrong.

**LEWIS:** (*laughs*) Okay, let's take another quick email from Stephen which raises another issue altogether. He's just submitted his tax return online. Congratulations, Stephen. But he's received at the same time a phishing email he says he thinks it is, saying that if I click on a link, I could reclaim £1,578.12 overpaid tax. He's pretty convinced this is a scam, but he just wants to check and indeed warn other people. Chas?

**ROY-CHOWDHURY:** It is a scam. Don't reply. HMRC won't send you an email. They won't ask for your bank details. So if you get anything like that, don't be fooled by it and, as I say, don't respond.

**LEWIS:** Don't respond at all.

**KERSWILL:** But I think HMRC like you to report them, don't they?

**MOORE:** Yes.

**KERSWILL:** So it is helpful, I think ...

**MOORE:** *(over)* There is an email to which you can send phishing email, so they can see what's going on.

**LEWIS:** There is, it's on the website. It's phishing@ ... Is it HMRC.gsi.gov.uk?

**MOORE:** It's under the 'service issues' bit of their website.

**LEWIS:** Yes. But I mean we've had to talk to the Revenue about this and they say they will never ever send you an email to reclaim tax they owe you. Not least I suppose because it's too quick and they'd rather keep you waiting for a cheque. *(laughter)* So if you get an email like that, it is not genuine and destroy it. Or if you want to, forward it to the Revenue and report it. So thanks for that email, Steve. And we'll go onto our next call who is Margaret in Colwyn Bay. Margaret? Margaret, are you there with your question?

**MARGARET:** Oh yes, good afternoon.

**LEWIS:** Sorry to keep you waiting.

**MARGARET:** I've got a very small annuity with the Prudential, but I was just querying why it isn't taxed alongside my state pension and my civil service pension. It's taxed separately.

**LEWIS:** And when you say it's taxed separately, how do you mean? How is it taxed?

**MARGARET:** Well you know I pay tax on my state pension and my civil service pension, although my state pension they say is not taxable but it is. It's classified as unearned income by the Inland Revenue. And they put those two together and tax those. But with my annuity - and it's a completely different tax office as well.

**LEWIS:** Right, okay, well ...

**MARGARET:** What does BR stand for for a tax code?

**MOORE:** Basic rate.

**KERSWILL:** Basic rate.

**LEWIS:** Basic rate. Okay, well who wants to unpick this one. Jane?

**MOORE:** Okay. BR means basic rate, so that means 20% tax. The reason it's like that is because your two pensions are being paid from two different places, so for every source of income you have each person paying it to you has to operate Pay As You Earn and there's a different tax code. So that's why ... They're not being ... Well they are being taxed separately, but the result at the end of the year ought to be that you've paid the right amount of tax overall.

**MARGARET:** It just seems an awful lot of money out of £640.20 a year. It's only a small thing and I pay £128 tax on that.

**MOORE:** It depends on whether your whole personal allowance is being used up by your other pensions firstly, Margaret ...

**MARGARET:** Oh, I see.

**MOORE:** ... so if there's none of that left over, then you will be paying 20% on your little annuity.

**LEWIS:** And that's why it's got BR for basic rate, so it's taxed at 20%.

**MARGARET:** It was an AVC that I paid into whilst I was working and I thought it would boost my income, you see, when I eventually retired, but I unfortunately had to retire a good 3 years earlier.

**LEWIS:** Well it is taxable, Margaret, so it is being taxed.

**MARGARET:** It's such a lot of money.

**LEWIS:** Indeed.

**MARGARET:** It's about £10 on £52, you know.

**LEWIS:** Yeah, well that is 20%. And, Leonie, just explain to us about the state pension because that does confuse people, doesn't it? It is taxable, but you get it paid gross, so they have to take the tax off something else.

**KERSWILL:** Yes and that's the bit that generally uses up your personal allowance, which is in the region of about £7,500. And then anything else you get, of course you get no ... It looks like the pension is almost tax free, but it isn't. It's just taking your allowance and then the balance of pensions get taxed at 20%, which is what's happening here on that annuity.

**LEWIS:** Yes, so you can seem to be paying a lot of tax on the other income because you've got that state pension. Well thanks very much for your call, Margaret. I said at the start tax could be taxing and confusing, and indeed it is - particularly I think for people with two or three pensions. John is next in Finchley in London. John?

**JOHN:** Hello, good afternoon.

**LEWIS:** Your question?

**JOHN:** I'm self-employed and I occasionally meet clients or suppliers for coffee, sometimes lunch, sometimes dinner, sometimes drinks. And I've seen other freelancers and the like you know taking the receipt and thinking oh I'll claim that and I've never understood how to claim that sort of expenditure or what things I can claim against my tax return.

**LEWIS:** I think this is what's called a grey area. Chas?

**ROY-CHOWDHURY:** Basically, John, you can claim subsistence, travel and subsistence when you're out on business for yourself - so your meals, travel, other drinks you may have with your meal. You can claim those. But if you're entertaining, that is not going to be allowable, so you can't take a deduction for those. And I think if others you come across are, then they are not using the tax rules properly.

**JOHN:** So if I'm meeting with a client say in a café or a restaurant and I happen to have lunch because I'm in town because I have to go there at the same as he happens to have lunch when he happens to be there?

**ROY-CHOWDHURY:** That's absolutely fine for you to take a deduction for your subsistence ...

**JOHN:** *(over)* But not for his?

**ROY-CHOWDHURY:** ... but to the extent that you're paying for your client ...

**KERSWILL:** *(over)* There are Revenue limits as to how much.

**ROY-CHOWDHURY:** And there are Revenue limits if you don't want to actually go through keeping detailed records. But to deduct for your clients expense is entertaining and you aren't entitled to that.

**LEWIS:** Right, so ...

**MOORE:** In fact though, if you're entertaining, you can't deduct your meal either. I mean if you're paying for a meal for an entertaining event, you can't deduct any of that.

**LEWIS:** Right, so that's not a valid business expense?

**MOORE:** Afraid not. Good try. No, sorry. *(laughs)*

**LEWIS:** I think you should have a word with your colleagues, John, who are doing this.

**KERSWILL:** There is a slight difference in that if you're employed, then you might expect your employer to meet the cost, so you would take the receipt and go back to your employer and say, "I had to entertain a client. Therefore can I have my £20 back" or whatever it is.

**JOHN:** I'll have a word with my boss then.

**KERSWILL:** Talk to yourself. *(laughter)*

**LEWIS:** Yeah but if you're self-employed as a sole trader, then you can't do that. And while we're on this subject, I can't find the email now but self-employed people do often wonder what they can claim; and one of the big ones, which I know has some confusion surrounding it, is you work at home, you have a room. What can you claim by way of mortgage, council tax, heat and light, water, all that sort of thing?

**KERSWILL:** Well if you're going to start off and say you can claim what's proportionate, you have to think about whether that has a knock-on effect. So if you take a room exclusively for your business, that might have a consequence when you come to sell your house because the whole gain might not be exempt from capital gains tax. And also the Revenue would argue well if you're heating your house anyway, it's quite hard to calculate what proportion is the heat for that particular

room. So generally it's reasonable expenses, but just think about what the consequences might be when you want to sell your house. Are you giving yourself a tax bill down the line?

**LEWIS:** Jane?

**MOORE:** Though in fact £3 a week is sort of the minimum that you can claim without any argument, and if you're actually spending more than that you just have to allocate it reasonably. And usually you can get round the thing about using a room exclusively for business. There are very few people who are using their office just for business. The kids may be doing their homework on the computer and so on. But you do need to think about it, as Leonie rightly says.

**LEWIS:** Yes, so it's kind of share of the cost whether it's one room out of six or one room out of three or whatever it is in the house?

**MOORE:** And how much time you spend using it.

**LEWIS:** And how much time you spend using it.

**ROY-CHOWDHURY:** I think it's rooms, not just bedrooms, so you need to be very careful how you apportion it.

**LEWIS:** Yes okay, rooms okay. Alright, well that's helpful. And Pamela now is calling us from Faringdon in Oxfordshire. Pamela, your question?

**PAMELA:** Oh hello. I worked for the NHS part-time, so obviously I was under the PAYE system. At 60 I took my state pension and the Revenue wrote to me with a new tax coding, which I delivered to my pay office and I thought all was well. In 08, I telephoned them just to make sure all was well and they said everything was fine. Anyway, I retired last year at 65 and out of the blue this last week I received a bill for £2,100. I just assumed all was well - because I was PAYE, I was trusting everybody

you know that they knew what they were doing. And that's the state I'm in now and I just don't know what to do about it really because that's quite a lot of money, isn't it?

**LEWIS:** Yes, you got a bill out of the blue. And I must say we've had some emails about that as well. We've had another one from Eva who's just got a bill for more than £2,000 and she hasn't a clue why she's got it.

**PAMELA:** *(over)* No, no, that's the thing.

**LEWIS:** A lot of people are getting these. Jane?

**MOORE:** Do you know which years it's for?

**PAMELA:** Yeah, that's the funny thing. It's 2007 and 2008 and 2010 and 2011, but 2009 and 2010 nothing. So it's weird.

**MOORE:** It is weird and we're not going to be able to sort of get to the bottom of it on air.

**PAMELA:** No.

**MOORE:** The only thing I would say though is the Revenue have been doing reconciliations to bring everyone's PAYE up to date and quite a few of these bills have been popping up. And first of all you need to check it - you have to ask them to explain how the calculation works. Secondly, it is possible to use something called Extra Statutory Concession A19, which is really a concession if you've done everything you're supposed to and have no idea you owe tax and the Revenue have been slow to tell you about it, and they may agree to write it off. Could I just mention the Low Incomes Tax Reform Group website, Paul ...

**LEWIS:** Yes of course.



**MOORE:** ... which you're familiar with because it's got quite a detailed explanation of how to go about dealing with one of these underpayment things.

**LEWIS:** Okay, a Google search will find the Low Incomes Tax Reform website. And I must say we've had several emails in the last few minutes. Somebody with bills for £6,000 for 07-08, 08-09 and 09-10. And of course when you go back that far, A19 does come in, doesn't it?

**MOORE:** Yes.

**LEWIS:** The last year it doesn't, but for that far back it does. Another one from Steve saying, 'I've been told I owe nearly £3,000 relating to a company car but they handled the P11Ds and relevant information.' In those cases, you think those amounts should be written off?

**KERSWILL:** Yeah, I would say two things. Well first of all don't assume the tax is right. It's always worth checking. And the other thing is don't put your head in the sand and hope it will go away. It won't. But there might be other ways to make it go away, which is the concession; or, if it is due, asking for time to pay.

**MOORE:** Also sometimes something like a car and if you've not been taxed on it at all, it's difficult perhaps to argue that you thought your tax was up to date.

**LEWIS:** Yes, though if you sent all the forms in.

**MOORE:** Yeah, yes.

**LEWIS:** And I know the other thing of course is that even if you're refused on the concession, you can also take that further, can't you? It's not exactly an appeal, but that does work sometimes.

**MOORE:** Yes, you'd have to make an official complaint and it would find its way up

to the adjudicator in the end.

**ROY-CHOWDHURY:** I think it is ...

**LEWIS:** Chas?

**ROY-CHOWDHURY:** Just one thing worth pointing out; that it is very difficult to get in under A19. The Revenue have been very resistant to giving in on that, so just be cautious.

**LEWIS:** Yes. Though I mean we've had quite a few successes for people over the last few years. Jane?

**MOORE:** Yeah, I've known of quite a few successes, but you'd have to know the right way to go about arguing it, which is why it's worth looking at the advice on that website.

**LEWIS:** Okay, on the Low Incomes Tax Reform Group website. Okay, thanks very much and thanks for that question. And now we're going to Joan who's in Lincolnshire. Joan, your question?

**JOAN:** Hello. Yes, I'm a pensioner, 72, and each year I get information that I am owed by the tax office. It was £6 something last year. This year it's gone up to £7. I always fill in my bank details both on paper and now online, but they never pay me back. How do I get it?

**LEWIS:** *(laughs)* Leonie?

**KERSWILL:** Apart from the bank details, there's also a box you actually have to tick that says I would like my repayment paid to me. Do you do that as well?

**JOAN:** Yes, yes. That's where it's got to me or whether I've done things for ...

**KERSWILL:** For it to go to someone else.

**JOAN:** To someone else. Yes, I always fill that as well.

**KERSWILL:** Have you tried phoning?

**JOAN:** Not yet. I got the letter a couple of days ago and I've been busy.

**KERSWILL:** Right, I think you need a phone call.

**MOORE:** If it's less than £10, they do carry it forward. I think it's £10. There is an amount if you want it.

**LEWIS:** (*over*) But it's her money, it's Joan's money.

**MOORE:** But in that case you have to actually ask for it - i.e. give them a ring.

**LEWIS:** So give them a ring and see.

**ROY-CHOWDHURY:** (*over*) The phonecall may cost more than

**JOAN:** (*over*) If I don't, I won't lose that, will I? I mean that won't just disappear?

**MOORE:** When it gets to £10, they'll eventually pay it. (*laughter*)

**JOAN:** I see.

**MOORE:** But I would phone them.

**JOAN:** Alright, thank you.

**LEWIS:** And Joan mentioned phoning and of course I've had information from the Revenue this morning saying there is actually going to be a strike in the call centre on the 31<sup>st</sup> when many people are ringing up about their self-assessment, and I've been told that that will be a reasonable excuse. If you can't get through on the phone and you need help and you are late with your tax return, then that will be a reasonable excuse because there is a strike - which is either the best or the worst day of the year to go on strike depending on your point of view, I suppose. Thanks Joan for your call. We're just going to squeeze John in now quickly in Cardiff. John, if you could be brief, it would be helpful.

**JOHN:** Hi. I'm in the lucky position of a large supermarket want to buy a parcel of my smallholding. I just want to know how much capital gains tax I could be paying and could be avoiding?

**LEWIS:** And just tell us how much the land is worth?

**JOHN:** A few million.

**LEWIS:** A few million, okay. And are you a higher rate taxpayer?

**JOHN:** I will be paying 28%, apparently, according to my accountant.

**LEWIS:** You are a higher rate taxpayer, okay. Is that a simple question, Chas?

**ROY-CHOWDHURY:** Well fairly simple. Capital gains tax will be payable. The annual exemption is £10,600 deducted from that. But it depends on your base costs, so if it's several million and you paid several million for the land, then it's the difference that you'll be paying 28% on.

**JOHN:** I inherited the land from my family, so I didn't pay anything for it.

**KERSWILL:** Do you farm the land?

**JOHN:** Yes.

**KERSWILL:** Okay. It may be you might be able to pay 10%.

**JOHN:** Right.

**LEWIS:** It's quite a lot of money at stake here. I do suggest that you go and actually talk to an accountant because for £200 or £300, you could well save yourself many thousands.

**MOORE:** *(over)* Definitely.

**JOHN:** Yes, I've got an accountant, but she's not very forthcoming.

**LEWIS:** Right. *(laughter)* Well there are many accountants out there, John, is all I will say.

**KERSWILL:** We're sitting here. *(laughter)*

**LEWIS:** You might even be able to afford one of these guests if you track them down. I don't know. Thanks very much for your call. I'm just going to very quickly just do a tweet that I had. This is Claire who's a sole trader. She earns £24,000 a year and she pays £4,000 in tax. Would she be better as a limited company? Now that's a bit of a fine decision, isn't it? Does anybody want to have a ... *(laughs)* They're all trying to avoid answering your question, Claire.

**MOORE:** I think the answer is you have to do the math, as they say, but bear in mind that being a limited company causes all sorts of other complications and obligations.

**LEWIS:** And higher accountancy bills.

**KERSWILL:** And costs you more, yeah.

**ROY-CHOWDHURY:** You get no personal allowance, but you need to just do the sums.

**LEWIS:** So it's a difficult one, I must say. I must say I'm a sole trader and I never thought of being a limited company. That's all we've got time for. I've got to get back and get on with my tax return. And let me thank Jane Moore, Technical Manager at the Institute of Chartered Accountants; Chas Roy-Chowdhury from the Association of Chartered and Certified Accountants; and Leonie Kerswill from PricewaterhouseCoopers. Thanks for all your calls and emails. More about tax on our website, [bbc.co.uk/moneybox](http://bbc.co.uk/moneybox), where you can do all sorts of other exciting things and read a transcript of this for those things you didn't note down in a few days. I'm back on Saturday with Money Box and Vincent Duggleby's back next week to take your calls on Money Box Live. Subject: renting and letting.