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MONEY BOX LIVE

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DUGGLEBY: One thing you can be pretty sure come 6th April is that most of us will be paying a lot more tax in the next few years regardless of who wins the coming General Election. Before that, of course, the Chancellor, Alistair Darling, will be presenting his last budget of the present Parliament on March 24th, not knowing whether the measures will be implemented or indeed whether he'll continue as Chancellor if Labour wins. In the meantime, George Osborne has said that if the Conservatives form the next government, he will present his first budget within 50 days. So tax planning this year is largely down to what we already know: for example, the 50% tax rate on incomes above £150,000; the fact that all personal allowances are frozen for the time being; and for those earning over £100,000, it'll be gradually whittled away. But the fact remains no-one is obliged to pay more tax than is necessary, which means claiming all the allowances and deductions to which you're entitled, whether it's on pension contributions, capital gains, small business expenses or charitable donations. Many older people we know are due tax refunds, but first you have to make a claim. And HM Revenue & Customs have also admitted that a number of incorrect coding notices have been issued and we've had a few calls on that. So my guests on Money Box Live this afternoon are at your disposal to answer questions about tax planning in general. Anita Monteith is Tax Manager at the Institute of Chartered Accountants for England and Wales; Mike Warburton is Tax Director at accountants Grant Thornton. 03700 100 444 is the number to call. But first, Mike, the Budget: 24th March with an election in the offing. What happens if he presents measures which can't go through because the Finance Bill and the Finance Act haven't been passed?

WARBURTON: Yeah, I think it's look back to 1992 or some time around that. Yes, it's very political, isn't it, because we've got a very short period. I reckon with a 24th March Budget - if there's going to be a 6th May election, that's only about 3 weeks or so that they've got to actually put out the Finance Bill. Normally that comes out maybe ten days after the Budget itself. They've then got to debate and it's got to have royal assent.

DUGGLEBY: But that can't, that can't surely possibly happen?

WARBURTON: It's very difficult to see how they could squeeze it through. It seems to me the only answer is you've either got to have a very trimmed down Finance Bill - announce some measures in the Budget but the actual measures in legislation are very slimmed down indeed in order to get them through - or you've got to get some sort of cross-party agreement as to an interim stage until an election is held.

DUGGLEBY: But tax gathering powers are a different matter. They can be renewed almost automatically, can't they?

MONTEITH: Yes, they do. And in fact they will need to do that, otherwise they won't be able to collect any tax from us on 5th April.

DUGGLEBY: But, for example, I mean in the Pre-Budget Report, things like inheritance tax level has been frozen. Has that gone into law already?

WARBURTON: No, I mean I don't believe it has, so we've got … Because originally it was going to go up to £350,000 …

DUGGLEBY: It was.

WARBURTON: … and then the Chancellor changed his mind for various reasons;

said it’s going to be frozen at £325,000. Now as it happens, the indexation - they normally give the inflation adjustment, it’s normally based, inflation, the RPI last September - it was actually negative last September. So I don’t think we’re going to be in the position that we were in 92 where things automatically increased through inflation in the absence of doing anything else.

DUGGLEBY: So in theory, we could be facing the Budget that wasn’t, I suppose?

WARBURTON: I’m sure there’ll be a lot in the Budget, but it’ll be a lot of …

DUGGLEBY: Be conditional?

WARBURTON: Yes - conditional, that’s right.

DUGGLEBY: Alright, thanks for that. Onto your calls now, starting with James in Surrey. James?

JAMES: Hello.

DUGGLEBY: Your call.

JAMES: Yeah, my question is I received my tax statement over the weekend and my code is now K22 and it has been K9. And I wonder why this is and how much it’s going to affect my income?

DUGGLEBY: Yes. Nothing to do with Dr Who, I can assure you.

JAMES: Not really. *(laughs)*

DUGGLEBY: Mike, K9 to 22. K is one of the odd ones, isn’t it?

WARBURTON: Yeah, K’s an odd one. Normally for people who have a tax code, James, you have a tax code and it's got an L after it; and that's an amount of allowance you can have, an amount of income you can get before you start paying tax. You're the other way round. You've actually got if you like a negative tax allowance and it's probably because you've got … Do you have a company car or other sort of benefits in kind?

JAMES: No, no, no.

WARBURTON: No? So I'm wondering …

JAMES: I've got another company pension but that's already taxed at source.

DUGGLEBY: Ah!

JAMES: That is taxed at source.

MONTEITH: It sounds as though they're using your PAYE code though to collect tax on some other source of income. Do you get a state pension, James?

JAMES: Yes.

MONTEITH: It is possible because the state pension is always paid to you gross and then they make adjustments to your PAYE code from your other employments or your other pensions to collect the tax on the totality of your income.

JAMES: Yeah, I understand that.

MONTEITH: Yuh. What is your PAYE code for your company pension?

JAMES: I don't know.

DUGGLEBY: It's the principle they add up all the income you've got and if there's a large amount that *isn't* taxed, that's where the problem arises.

MONTEITH: It does sound very much as though it's bound up by you having three different sources of income and that's why this tax code has …

WARBURTON: *(over)* In terms of the amounts, I mean if it should be K9 and it's K22 - the amounts … what you have to do is you have to look at the difference and multiply by ten. So on my maths, that means if you're a basic rate taxpayer, if it's wrong you may have £26 over the course of the year over collected. But it may well be right for separate reasons.

DUGGLEBY: But we do know that there have been incorrect tax codes issued because that's been admitted to by HMRC.

WARBURTON: Oh yes, I mean there's been a real problem this year with a lot of tax codes being issued that are incorrect - largely because, believe it or not, the computer system has been picking up old information and spewing out incorrect tax codes. And it is possible, James, that you're one of those.

DUGGLEBY: Yeah, in which case you need to get hold of the Inland Revenue.

WARBURTON: Contact the local tax office and they will help explain what your tax code means. Or if you … Do you do a tax return? Do you complete a tax return, James?

JAMES: No, I haven't done one for years now. They said they wouldn't be sending me one.

WARBURTON: I think what you do is you go into your local tax office. They're very helpful. They're there to be helpful, to explain to you with your circumstances …

JAMES: *(over)* Well I'll have to phone them up because I'm working and I can't afford to have the time off.

WARBURTON: Oh right, phone them up.

MONTEITH: James, there is a telephone number on your PAYE coded notice. If you give them a ring … You may need to be a bit persistent because they are swamped at the moment because of the extent of the problems, but do give them a call and they will explain what is essentially £130 of extra income they're collecting through your tax code.

DUGGLEBY: Okay, we've got an email on a similar subject from Paul in Wigan. He says he's 58 years old. He has temporary work and he says his tax code is always week 1, but he's periodically unemployed and he doesn't get any tax back. Is this right?

WARBURTON: Well week 1 is an arrangement that they put in place where they effectively ignore the history and they treat you as if it was the first week in the tax year. So the PAYE system allocates you every week a week's worth of your personal allowances. But of course if you've got a period out of work, it means you've not had the tax relief on those allowances; and come the end of the year you've probably got tax due back to you, in which case make a claim on a form R85, send it to the taxman with all your details and hopefully you'll get a present in time for Christmas.

DUGGLEBY: And a quick one from Margaret in Barking. She says she's 65, Anita, at the end of April. And she completes a self-assessment tax return, but can she claim the increased personal allowance for the coming year - 2010/2011 - and, if so, how does she go about it?

MONTEITH: She certainly can and she needs to ring up the Revenue to tell them. I suspect that they will already know that she's going to have a 65th birthday during 2010/11, but just to make absolutely certain, I suggest she gives them a call.

DUGGLEBY: But all things being equal, the tax code will go up quite substantially because the allowance goes up from just over £6,000 to just over £9,000?

MONTEITH: Over £9,000, yes.

DUGGLEBY: A big jump.

MONTEITH: It is. The only reason it wouldn't do that is if she had a lot of income because there's an income restriction that applies to pensioners.

DUGGLEBY: Yeah, that's the income limit. That is 20 something thousand.

WARBURTON: £22,900, think.

MONTEITH: Yes.

WARBURTON: It's all supposed to happen automatically, but I suspect it often doesn't.

DUGGLEBY: Well maybe bearing in mind what we've already said about codes, maybe it isn't happening quite as automatically as it should. Right next caller is Paul in Stoke. Paul?

PAUL: Yes, good afternoon. I'm a 40% taxpayer, and over the last 2 years I've received two notices of coding that have indicated that I've underpaid on tax. As a result my tax code has now got to 139K.

DUGGLEBY: You're another K code.

PAUL: Yeah. I have no other source of income and a P11D is sent to the tax office by my company every year, and I'm just wondering how I can be underpaying tax when they are fully aware of my situation. I don't have any other source of income, but I do have two pensions that come into play later on this year and obviously I'd like to get my tax affairs sorted out before I start to receive those pensions.

DUGGLEBY: Well, Anita, clearly the Revenue are trying to claw back this tax, but it's causing Paul perhaps some embarrassment by the way they're doing it.

MONTEITH: Yes. I think the problem is that the system that absorbs the P11D information isn't automatically linked to the system that issues these PAYE codes - so although it *should* be updated in time, it sounds like it *isn't* being. You don't do a tax return, did you say Paul?

DUGGLEBY: No, he just said he didn't.

MONTEITH: No. Again I think if you ask the Revenue to take another look at your PAYE code and see if they can't bring it more up to date.

DUGGLEBY: If you owe tax to the Revenue, there are rules about how they can get it back off you. They can't just suddenly land you with a huge bill or embarrass you financially by taking away your income, can they?

WARBURTON: Well one thing you can do of course is you can ask for it to be coded into your next year's notice of coding if you've got … for example you owe money for 9/10 and it's below £500, I think it is. You can actually ask for it to be coded into next year.

MONTEITH: It's £2,000, I think.

WARBURTON: £2,000, is it?

MONTEITH: Yes.

WARBURTON: I'm behind the times.

MONTEITH: But you can then have it collected going forward. But the problem is that it quite often takes time to get that carried forward.

DUGGLEBY: So this is again another case where you've just got to get hold of the Revenue and say please explain to me exactly how you've arrived at these figures, so as I can understand them.

MONTEITH: And it's been rolled up for a few years by the sounds of things, from what Paul was saying.

DUGGLEBY: Alright, Jenny, your call now from Penzance.

JENNY: Yes, good afternoon.

DUGGLEBY: Good afternoon.

JENNY: I've spoken to four different departments of the Inland Revenue, whatever it's called now, and had conflicting answers. My problem is I recently sold a small cottage and gave the money to a daughter to enable her to get a mortgage, and I know perfectly well I must pay capital gains tax on that and I know how to do it. But a second cottage, which has been registered as my main home for the last 12 years, I've just changed it to be my second home, but I actually want to give it to my other daughters. One of the tax offices says that I have to pay capital gains tax on that gift even though there is no money generated by giving it out of which to pay the capital gains tax. I don't understand where I'm supposed to find the money.

DUGGLEBY: Yes, well the problem with that of course is the Revenue are not concerned about finding the money. They're concerned about whether the asset has changed hands, Mike.

WARBURTON: Jenny, the reason that this is confusing is because what's happened is one person you've spoken to in the tax office has made the valid point that if you make a gift, the fact that no money changes hands doesn't actually matter because it's a gift to your daughters - and I hope they appreciate it …

JENNY: So do I.

WARBURTON: … but it's treated as a disposal at market value. Now that's why that tax officer thought tax may be due. Now what that tax officer may be overlooking is the information you've just told us, which is that this is a home that you've elected to be your principal residence.

JENNY: Indeed.

WARBURTON: So you wrote to the taxman when you bought it presumably, within 2 years of buying it, and said I elect this to be my principal residence …

JENNY: Yes, more or less.

WARBURTON: And how long ago did it cease to be your principal residence?

JENNY: Just last month. I just wrote to them.

WARBURTON: Right. Well the good news, Jenny, is that for the last 3 years of ownership, even if it's not your principal residence, you still get a full capital gains exemption. And because it's been elected as your principal residence, you took the wise precaution to do that - even though it's treated as disposal at market value, that doesn't matter because you're going to get a full exemption under your principal private residence relief and no tax will be due.

JENNY: Oh that's *very* reassuring.

WARBURTON: You do need to just keep in mind of course from an inheritance tax point of view, first of all would you still live in the property on occasions?

JENNY: No, what I'm proposing to do is to visit it periodically because I have all the contacts for maintenance and things like that, and I think I'm supposed to pay my daughters market rent.

WARBURTON: Yes, that's …

JENNY: What I thought I'd try to do is if I pay all the expenses involved in that house, that would equal whatever the market rent might be.

WARBURTON: Yes. I mean in principle, in principle you're not supposed to get a benefit out of it.

JENNY: No, indeed not.

WARBURTON: In order for it to be a gift that doesn't count, so that it's a gift which after 7 years drops out of your estate, you're not supposed to get any benefit. So normally what you'd pay is actually a market value for the use of the property. Now whether the expenses you're paying equates to that, I don't know.

JENNY: Yes, well I've tried to work that out and I think it would cost me about £3,000 a year to run it. And I can easily work out if I come down every other month for a week or something, I think I can work it out so that it would …

MONTEITH: *(over)* I think be very, very careful, Jenny.

DUGGLEBY: Yeah, it's getting a bit complicated.

WARBURTON: I would pay … I think I'd pay a market rent.

JENNY: Just pay a rent?

MONTEITH: Yes.

DUGGLEBY: And do keep proper records too.

MONTEITH: And keep records, yes.

JENNY: Oh I shall certainly keep records. I just thought it would be simpler if I did it that way.

MONTEITH: *(laughs)* This is tax.

DUGGLEBY: You sound very well informed already, Jenny. Thanks for the call.

JENNY: Well I'm quite confused. Alright, thank you very much indeed.

DUGGLEBY: While we're on the subject of inheritance tax, this is one from Alison in Malvern and she says, 'My husband was a 40% taxpayer and as a result I had all our savings. But now we've retired and moved to a cheaper house, the situation has changed, but I *still* have all our savings. Can you advise on the implications if my husband were to die first, leaving *less* than his inheritance tax allowance; or I were to die first, leaving *more* than my inheritance tax allowance and should we shuffle our savings back between us?' Mike?

WARBURTON: Well the good news from an inheritance tax point of view is that since October 2007, in Alistair Darling's first statement he introduced the ability for married couples to effectively transfer their nil rate inheritance tax band from one to the other. So in effect on the first death, any unused inheritance tax band will automatically transfer to the survivor. So you don't have to do what we used to do in the past and carefully own assets to save inheritance tax. That's pretty well automatic now. But of course there is an income tax consequence in what we're looking at, and that is that it makes sense to have the assets in the hands of the person paying the lower tax rates. So if one's a 40% tax rate payer, it's not very sensible for them to own the assets generating investment income. It's better for that to be gifted to the lower income taxpayer.

MONTEITH: And in view of the fact that the question has come in relation to inheritance tax, it does sound as though there might be rather a large amount of money involved.

DUGGLEBY: Well it could be because one's got more than the other, you see. We don't know how much more than the nil rate band they've got, but it clearly is more. And so again equalisation is normally the name of the game if you can on both counts.

MONTEITH: Yes. And also she talked about retirement. They've retired.

DUGGLEBY: They've just retired, yes.

MONTEITH: So it's possible that they're getting the higher rates of personal allowance for older people that we talked about earlier.

DUGGLEBY: That might be the reason …

MONTEITH: So, again, they need to be careful that they don't lose it.

WARBURTON: *(over)* The answer is you've got to do the sums really.

MONTEITH: *(over)* Do the sums, absolutely. *(laughs)*

WARBURTON: *(over)* They need to sort that out first.

DUGGLEBY: A very quick one from Elizabeth in Somerset. She says, 'What gifts are exempt from inheritance tax?'

WARBURTON: Well the answer is you can gift on regular gifts out of income. You can actually give any amount, as long as it's irregular, it's out of income, it doesn't reduce your standard of living. You get £3,000 a year you can make gifts.

DUGGLEBY: Automatically.

WARBURTON: You can make small gifts of £250.

DUGGLEBY: And you can carry forward £3,000 for one year.

WARBURTON: You can carry forward £3,000 one year to another. And you can make gifts of maintenance to your family. That's often forgotten about, regular maintenance gifts.

MONTEITH: And for marriage as well.

DUGGLEBY: But it's gifts out of income without affecting your standard of living. That's an important one.

WARBURTON: That's an important one. I mean I had it with my own mother and she made sort of £20,000 a year for 5 years of her life, and that was completely exempt from inheritance tax because we did it correctly.

MONTEITH: But quite often people get confused about what comes out of income and what comes out capital, so you really do need to make sure you have enough income.

DUGGLEBY: I mean basically it's £20,000 of income and you only need £15,000, then you've got another £5,000 to give away if you want to.

WARBURTON: That's right.

DUGGLEBY: That's the sort of basic principle. Right, we've kept Glyn waiting and I know he's pulled aside on the road on his mobile. Glyn, you've got a call for us?

GLYN: Yes, I'm trying to find out … I actually work abroad although my company is based in Folkestone. And my question is *(mobile starts breaking up/question not audible)*

DUGGLEBY: Okay, you're breaking up, Glyn, but you did give us notice of your question. The question, panel, is that he spends less than 60 days in the UK. It sounds to me as though he's a trucker or something and he's saying that bearing in mind the recent publicity on the non-doms …

WARBURTON: Can he be a non-dom?

DUGGLEBY: … can he be a non-dom?

WARBURTON: Well Glyn, if you can hear me - I'm sad to say no. Not only can you not be a non-dom - like some certain people we've been hearing about - but you can't even become a non-resident. And that may seem a surprise to you because the normal rules on residence is to do with do you spend more than 90 days in the UK, but actually they brought in some special rules on what are called 'mobile workers'. And as a truck driver you'll be classed as a mobile worker and the normal rules that apply unfortunately don't apply to you because if your base is in the UK - which is what you're saying - even though you're spending a lot of time overseas, I don't think HMRC are going to accept that you've ceased to be UK resident.

DUGGLEBY: All this of course arising from the gentleman who had the 90 days rule somewhat reversed in his case.

WARBURTON: Well I was involved indirectly in that case, Vincent, and I can tell you it was a very hard fought battle. And unfortunately Mr Robert Gaines-Cooper lost in the end at the Court of Appeal two weeks ago, and it has thrown a spanner in the works with a lot of people concerned that they might now be caught by that.

DUGGLEBY: Okay, Susan?

GLYN: I was actually before … A couple of years ago, I was actually getting a reduction in me tax because I was working less than 90 days in the UK.

MONTEITH: That was quite a long time ago now, Glyn.

GLYN: Yes, it was some time ago.

DUGGLEBY: A long time ago.

MONTEITH: Yes, I'm afraid that rule has gone, that rule has gone.

GLYN: Oh right.

DUGGLEBY: That goes way, way back.

GLYN: Okay, thank you.

DUGGLEBY: Alright. Susan, your call now in Reading?

SUSAN: Nearly two years ago, we sold what was our only home in Reading area and we have been charged capital gains tax on the sale value. It's only ever been our single home; we've never had another one. It's just my husband and me, no children. And we had bought that from selling a semi-detached in Wimbledon, so you can sort of guess it wasn't that excessive. We've been charged £66,000 capital gains tax and we've already got a notice that the amount is overdue. It just seems so unfair because we never made a business out of the land. It was a small farmhouse with 20 acres …

DUGGLEBY: Ah right, so there was a business …

SUSAN: … and we used to use it for running our dogs. We have got a few dogs that I used to show.

DUGGLEBY: *(over)* Hang on a minute, hang on a minute. Hang on a minute, Susan. Was this a business when you bought it?

SUSAN: No.

DUGGLEBY: It wasn't. So it was bought just straightforwardly as your main residence?

SUSAN: It was.

DUGGLEBY: Alright. Mike?

WARBURTON: Susan, I think the situation here is everybody knows that if you've got your own house, your principal residence, that's exempt from capital gains tax. Strictly speaking, that extends to the house and one hectare, which is a couple of acres - sorry half a hectare, which is an acre. So one acre, plus the house would automatically qualify. Because you've got 20 acres, what I suspect has happened is they've done a calculation for the capital gain that you've made on the land over and above that acre. Now whether they're correct to do so, it surprises me because on the face of it 20 acres - or 19 that's left - it strikes me it's unlikely that that would have gone up and produced a gain sufficient to incur that amount of tax. And in addition, it's not necessarily just one acre. You can often extend that if it's necessary for the enjoyment of the property.

MONTEITH: Susan, did they raise this assessment out of the blue or has it arisen because you made entries on your tax return?

SUSAN: Our accountant made the entries on our tax return.

MONTEITH: Right. It does sound very much then as though your accountant knew, as Mike was just saying, that the extra land would be regarded as more than would be normal for the size of house that you sold.

DUGGLEBY: It depends also on the use to which the land can be put. I mean if it's pure agricultural land …

SUSAN: It's grazing. Nothing more.

DUGGLEBY: Yeah, but even grazing land. You see from what I read, the value of that's gone up pretty sharply.

MONTEITH: Go back to your accountant, Susan, and ask him to explain it. But I think you'll find that it's because of the nature of the land that this has happened.

DUGGLEBY: And if that's the case though, you can still argue the value of the land relative to any other land that may have changed hands in recent years in the area.

MONTEITH: And you can spread the payment of the tax as well because it relates to land.

DUGGLEBY: *(over)* Yeah, you can spread it over 10 years.

WARBURTON: And the other point … Susan, you say it's 30 years ago. Was it before 1982?

SUSAN: Gosh … No. Yes, it was 1978 when we moved there.

WARBURTON: Right. The way it works is that your capital gains calculation should have been based with reference to the value of the land in 1982. You're then allowed to claim what's called indexation relief, which effectively doubles the value of that, and it's only the excess over that …

DUGGLEBY: But not any longer because indexation's been …

WARBURTON: Well yes, I suppose that's right.

DUGGLEBY: You can't do that anymore.

MONTEITH: I think she should ask her accountant for an explanation of the calculations.

DUGGLEBY: Yeah, get him to show you the sums, Susan.

MONTEITH: He's probably right.

DUGGLEBY: Yeah.

WARBURTON: And what rate of tax? 18%, I suppose it is.

DUGGLEBY: Yeah, yeah, it would be 18%.

SUSAN: It's just so unfair as it's our only property …

DUGGLEBY: Yeah, but the problem is, Susan …

MONTEITH: *(over)* It doesn't relate to the property though, unfortunately, Susan. It's the land.

DUGGLEBY: Susan, the problem is this. If you didn't have a rule that says there's a limit on the land to a house, then everybody would buy a bungalow on 200 acres and they'd get away with it on the grounds that that was … That's the way the Revenue sees it. I'm not saying it's right, but that's the way they see it. And so they have this rule of appropriateness, you know - it's suitable for the property. And, as Mike says, it's half a hectare and that's the appropriate amount of land.

WARBURTON: Yeah. And I think it would be worth considering whether that is actually the correct amount attributed to the land, but if you've got an accountant acting for you, I guess he will have looked into that.

DUGGLEBY: *(over)* And argue the value. Okay, we must move on to an email on capital gains tax again. This is a tenancy in common that's gone into probate. Now it appears that one of these tenants in common has died and part of the property with a new owner. So you've got a position where you've got apparently two valuations and George in Cambridge wants to know who fills in the form, how on earth do you work out what's owing, and what do the beneficiaries do?

WARBURTON: So we're tenants in common?

DUGGLEBY: Yes.

WARBURTON: So effectively …

DUGGLEBY: One's gone.

WARBURTON: … so we've got effectively two assets. So the asset of the surviving spouse, that just stays with them.

DUGGLEBY: Yes, at the original cost?

WARBURTON: At the original base cost. The bit that's in the spouse that's died, it's effectively valued at death for probate purposes and that is a tax free disposal because it's on death. And that then passes to the beneficiary. Now do we know who it's actually gone to?

DUGGLEBY: Well I'm going to assume it's gone to one of the children.

WARBURTON: If it's gone to one of the children, then the child will acquire it at that base value for capital gains purposes or on any future disposal, so if it sells relatively quicker there'd probably be no gain for that child. But that would be the base cost for the child.

DUGGLEBY: So there's no capital gain at that point because there might be one in the future?

WARBURTON: There might be one in the future for the child.

MONTEITH: Yes. It depends what they're doing with it. If they're living in it …

DUGGLEBY: *(over)* If 50% is passed, is the value actually lower because you only get half of it and therefore can't sell without the consent of the other person?

WARBURTON: No, there are some special rules that can apply where you've got partly held property in relation to a probate value where because somebody still owns half the property for probate value purposes, you can apply a discount of either 5 per… I think it's 10% you can apply by agreement with the Revenue. You have to be a bit careful about that because of course that can hit back on the person acquiring it in terms of their capital gains rate, so you have to again pay capital gains tax in inheritance tax …

DUGGLEBY: *(over)* Gosh, it's getting complicated.

WARBURTON: But the answer is you can take a discount if it's effectively a jointly held property.

DUGGLEBY: Right. Dan in Kew, let's see if you've got a simpler question for us.

DAN: Good afternoon.

DUGGLEBY: Good afternoon.

DAN: I run a company called soundbookings.com and we provide professional DJs to the events industry. Now we have an accountant already, but I hear conflicting views as to what can qualify as a legitimate business expense.

DUGGLEBY: What have you got in mind?

DAN: For instance, we often have to wear smart attire, so suits have been sort of mooted as a potential business expense and obviously shoes that would accompany that attire. And also possibly haircuts as well *(laughter)* because we have to be presentable for our performances.

DUGGLEBY: Okay, we're running out of time, we're running out of time. But the principle is basically is it wholly, exclusively and necessarily for the business, I think?

MONTEITH: It's wholly and exclusively for the purposes of the business. Unfortunately there is a tax case that says if your clothing is necessary for decency - it was a barrister in this particular case - then you couldn't get tax relief on it. But of course you can for anything special, so your lurex outfits and sparkly sequins and …

DUGGLEBY: *(over)* I seem to remember some entertainers used to wear sort of gold lame suits and all that kind of thing. *(Monteith laughs)*

WARBURTON: … *(over)* blue suede shoes, aren't you Vincent? Yes, that would be allowed.

DUGGLEBY: Blue suede shoes - yeah, yes.

DAN: Well technically we don't wear those, but …

DUGGLEBY: *(laughs)* Well basically, as I say, if you're using it exclusively for the business and it has no value for anything else, I think the answer is probably yes.

WARBURTON: If you wouldn't wear it in any other environment, you would only use it and you bought it specifically for your stage performances, then I think you claim it. You say what you're doing and you claim it.

DUGGLEBY: You can obviously all your gear as well …

MONTEITH: *(over)* And there are some organisations that have special arrangements as well with the Revenue for what is allowable.

DUGGLEBY: But just going off at a slight tangent - a jockey for example wearing his riding attire, that would be no use except when he was riding as a jockey?

WARBURTON: That's right, you don't walk down the high street wearing your jockeys, do you?

DUGGLEBY: Unless you live in Lambourn. Right, one more call, I think. Mark in Southall. Mark?

MARK: Good afternoon. Inheritance tax. I'm in the position, my mother died about 3 years ago just before the IHT law change came in relating to the use of the second spouse's transferable allowance. So I've been left with an inheritance tax bill, which is about £95,000 which remains unpaid, which is principally what …

DUGGLEBY: Mark, we're running out of time, we're running out of time. What do you want to know? You want to know how you pay the £95,000. Is that it?

MARK: What I want to know is how flexible are the Revenue if you really can't pay it?

MONTEITH: The Business Payment Support Service is what you're thinking of, but unfortunately that's just for businesses. I'm afraid you need to talk to your bank, Mark, about this one.

DUGGLEBY: You have to pay within a set limited time.

WARBURTON: Yes, you pay within 6 months at the end of the month of death. Can

I just check? You said one of your parents died. Did the other?

DUGGLEBY: No, no.

MARK: Yes, but a long time ago.

WARBURTON: A long time ago. Well you may still be able to … Well never mind.

DUGGLEBY: We are really running out of time so quickly, but if it's property it's in fact 10 years, not 6 months. You can pay it by instalments.

WARBURTON: I'll ring you back.

DUGGLEBY: Okay, well we've run out of time, as you'll appreciate. Anita Monteith has been with us. She's Tax Manager at the Institute of Chartered Accountants for England and Wales; Mike Warburton, Tax Director at accountants Grant Thornton. Our information line - 0800 044 044; website, bbc.co.uk/moneybox. Paul Lewis will be here with the next programme at noon on Saturday. I'll be back same time next Wednesday afternoon taking your calls on Money Box Live.