

One Plus Two Equals Four – Part 2

As promised last month, help to check tax calculations produced by HMRC's end of year reconciliation process (form P800). The calculation looks at your income and tax for the year 6th April 2010 to 5th April 2011. You may find you have overpaid tax and are due a refund or have underpaid and owe HMRC money. If you do not receive a calculation, it means that HMRC believe your tax is correct. Whichever scenario applies to you, we would recommend that you use these notes to complete your own end of year check. It is just as important to check overpayments; once spent it is difficult to claw back if wrong.

What to check – The notes on the first page are generally confusing but should tell you if you have underpaid or overpaid your tax and the reason why. Page 2 is the actual calculation which has 6 sections.

1. **Your Income** – Check that the tax year is 2010 – 2011. (For underpayments, earlier years may be out of time and you should question why you have only just been informed). Check that the income and tax paid matches your P60s, P45s, P11D, state pension letters and end of year certificates for savings income and dividends. Check that only taxable benefits are listed and that any other income like rental from property is included. If your state pension started during the year, the figure should be what you received in the year.
2. **Deductions** – These are things like professional subscriptions, flat rate expenses from work, special working clothes or maintenance for tools. Question anything that doesn't make sense.
3. **Tax allowances** – check that you have the correct personal allowance. For 10/11 these were under 65 £6,475, 65 to 74 £9,490, 75 and over £9,640. If you are 65 + and your total income was over £22,900 your allowance should be restricted.
4. **Income tax chargeable** – Tax is usually taken at 20% but in some circumstances you will see 10% tax taken. Tax on dividends and the savings rate for people whose non-savings income is within £2,440 of their personal allowance are examples of the 10% rate.
5. **Adjustments** – This is where married couples allowance (MCA) and underpayments from previous tax years are shown. MCA for 10/11 was £6965 @10% so £696 less tax to pay, unless restricted for incomes over £29,230. Unsure why there is an underpayment? Ask HMRC. If you have paid or are paying a previous underpayment under another method make sure the amount is not repeated here.
6. **The result** – This is the amount you have to pay or the amount owed to you. 'Tax underpaid' means you owe HMRC and 'Repayment due' means HMRC owe you.

What to do if something is wrong - Contact HMRC. If the figures are wrong you should be able to get them amended over the phone. If the figures are right but you are concerned that your employer, pension provider or HMRC have not used information they have been given. You can ask for your affairs to be reviewed, you may not have to pay the tax. Help can be found on the number below.

This article is by TaxHelp for Older People (TOP) registered charity no 1102276, offering free tax advice to older people on incomes below £17,000 a year. The Helpline number is 0845 601 3321 or geographical 01308 488066