HMRC - PAYE10040 - Coding: Double Taxation Relief

Customers, who find they are paying tax on overseas income both in the UK and in the country where the income arises, will normally be able to obtain relief from double taxation.

The UK has double taxation agreements with a number of other countries, which aim to prevent, or give relief for, double taxation. This means that the income will be taxed only in one country, or if taxed in both, that one country will allow credit for the tax paid in the other. Further advice is in the International Manual (INTM) at INTM165000 onwards and in the Employment Income Manual at EIM40601.

Generally these cases will be Self Assessment and relief will be given in the SA return at the end of the year. An individual may ask for relief to be given in their coding, you should enter the amount allowable in income, allowances, benefits and deductions (IABD) using the description Double Taxation Relief (PAYE130025).

Use the facts you have to estimate the relief due and calculate the coding allowance to be entered.

For example, if an individual is due relief of £150, enter this amount in IABD under DTR.

Note: NPS will convert the amount entered in IABD into the coding allowance to give relief at the correct rate of liability. Where the Scottish Rate of Income Tax applies, NPS will use the appropriate rates to calculate the relief.

Example - UK Income tax rate

Individual liable at basic rate - £150 x 100 / 20 = 750

Individual liable at first higher rate - £150 x 100 / 40 = 375

Individual liable at the additional rate - £150 x 100 / 45 = 333

Example - Scottish rate of income tax

Individual liable at basic rate - £150 x 100 / 20 = 750

Individual liable at first higher rate - £150 x 100 / 41 = 365

Individual liable at the additional rate - £150 x 100 / 46 = 326

The system carries forward the allowance from year to year. If the relief is not due for CY+1 remove the amount from IABD CY+1.

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