

## Farmers and market gardeners

### **i** **Contacts**

Please phone:

- the number printed on page TR 1 of your tax return
- the SA Helpline on **0845 9000 444**
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or go to

[www.hmrc.gov.uk](http://www.hmrc.gov.uk)

This helpsheet gives you information about special rules which can apply to farmers and market gardeners:

- farmers' averaging relief
- herd basis
- losses
- the treatment of compensation for compulsory slaughter
- some aspects of information from accounts in addition to those covered in Helpsheet 229 *Information from your accounts*
- agricultural buildings allowance.

### **Farmers' averaging 2011–12 and 2010–11**

Provided certain conditions are met, a special relief is available to farmers and market gardeners under which they can claim to add together their profits from farming or market gardening for two years and be taxable on half the total for each of the two years. This helps to even out fluctuating results. (Farming includes the intensive rearing of livestock or fish on a commercial basis for the production of food for human consumption.)

Averaging does not affect the amount of tax and NICs you pay for 2010–11. The adjustments for both years are taken into account in your 2011–12 tax and NICs. You should pay your 2010–11 tax and NICs in full, even if averaging reduces your profit for that year. Otherwise you may have to pay interest on unpaid tax and NICs.

#### ***Who can claim?***

Claims can be made by:

- sole traders
- partners, except people who joined or left the partnership in 2010–11 or 2011–12.

You cannot claim if your business commenced or ceased in 2010–11 or 2011–12.

#### ***How to claim***

##### ***Sole traders***

Claim in box 71 in the *Self-employment (full)* pages.

##### ***Partners***

Claim in box 10 in your *Partnership* pages. If you wish to claim averaging, you are entitled to do so even if your partners decide not to claim.

#### ***What are the conditions?***

The difference between the profits for the two years must be at least 30% of the profits of the year with the better result. To help people where the results are not quite so different, relief is also available on a special tapering scale where the difference is between 30% (full relief available) and 25% (no relief). Below 25% claims may not be made.

If you claim averaging and calculate your tax, you must also calculate the increase or decrease in your Income Tax and Class 4 NICs for 2010–11. Make the alteration for 2010–11 by adjusting your 2011–12 tax. If the adjustment is an increase, enter the amount in box 13 on page TC 2 of your *Tax calculation summary* pages. If it is a decrease, enter the amount in box 14.

### ***What is meant by profit?***

These notes cannot give detailed guidance on every situation. If you read these notes but cannot then calculate your profits for 2011–12 or 2010–11, ask us or your tax adviser for more help.

### ***Sole traders***

Profit means profits after capital allowances and balancing charges, see Helpsheet 222 *How to calculate your taxable profits*. For 2010–11 and 2011–12 your profit is the figure in box 63 or 64 on the *Self-employment (full)* pages (see the examples below), adjusted by any amounts in boxes 67 and 68. Losses count as zero. If a profit has been averaged already, then the figure to use is the averaged profit. For example, if 2010–11 had already been averaged with 2009–10, the averaged profit will be shown in box 72 of the 2010–11 *Self-employment (full)* pages.

### ***Partners***

Your profit for 2010–11 and 2011–12 is the figure in box 7 of your *Partnership* pages, adjusted by the figures (if any) in boxes 8 and 12.

### ***Examples of averaging where profits differ by more than 30%***

#### **Example 1**

John's results are as follows:

2011–12 profit	£10,000
2010–11 profit	£40,000

If averaging is claimed, the profit for each year becomes:

$$(\text{£}10,000 + \text{£}40,000) \div 2 = \text{£}25,000$$

This applies even if the £40,000 for 2010–11 was the result of an averaging claim for 2010–11 and 2009–10.

John's 2011–12 profit is increased by £15,000 and this increase must be entered in box 71 of the *Self-employment (full)* pages or box 10 of the *Partnership* pages.

#### **Example 2**

Ian's results are as follows:

2011–12 loss	£20,000
2010–11 profit	£32,000

The loss counts as zero when averaging is computed so the average result for each year is:

$$(0 + \text{£}32,000) \div 2 = \text{£}16,000$$

Ian's 2011–12 profit is increased from £0 to £16,000 and this increase of £16,000 must be entered in box 71 on page SEF 4 of the *Self-employment (full)* pages (or box 10 of the *Partnership* pages if Ian is a partner). The loss of £20,000 should be entered in box 76 (box 19 for partners). Unless there are any adjustments in boxes 67 and 68 (boxes 8 and 12 for partners), this figure will be the same as the figure in box 63 (box 7 for partners).

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### ***What about the change in the profits for 2010–11?***

A claim to averaging for 2011–12 and 2010–11 deems there to be a change to your income for 2010–11. If, as a result, you wish to change other claims to relief for 2010–11, you can do so when making the averaging claim. But averaging does not change your actual income or your tax bill for 2010–11. Depending on whether your 2010–11 profit goes down or up as a result of averaging, relief is given or the extra tax is charged by way of an adjustment to your tax liability for 2011–12.

If you claim averaging and you calculate your tax and Class 4 NICs, you must also:

- calculate the increase or decrease in your tax and Class 4 NICs for 2010–11 which would have happened if you had amended your 2011 tax return because of the changed profit including any consequential changes (for example, because changing the profit changes the limits for Retirement Annuity Relief), and
- enter the adjustment in box 13 (increases) or box 14 (decreases) on your *Tax calculation summary* pages for 2011–12.

### ***What if the profits differ by between 30% and 25% of the profit for the year with the better result?***

In that situation you can claim to have a special sum deducted from the profit for the higher year and added to the profit for the lower year. This sum is computed by multiplying the difference by three and subtracting 75% of the profit for the higher year.

#### ***Example where profits differ by between 30% and 25%***

##### **Example 3**

Liz's results are as follows:

2011–12 profit	£50,000
2010–11 profit	£36,000

The difference is £14,000 which is between £15,000 (30% of the higher figure) and £12,500 (25% of the higher figure) so Liz can reduce the higher figure and increase the lower figure by:

$$(\text{£}14,000 \times 3) \text{ minus } (\text{£}50,000 \times 75\%) = \text{£}4,500$$

The reduction of £4,500 to Liz's 2011–12 profit must be entered, with a minus sign, in box 71 of the *Self-employment (full)* pages or box 10 of the *Partnership* pages.

### ***What if your profits change?***

Any averaging claim you have made in your tax return will lapse if your profits for either 2011–12 or 2010–11 change. Provided the time limit for amending your tax return has not expired, you can make a claim to average the changed profits by amending your tax return, whether or not you originally made a claim.

Even if the time limit for amending your tax return has expired, you can still make a claim if you used averaging to compute your taxable profit before the profits changed. You cannot amend the tax return yourself but you should write to us to ask for any necessary adjustments to be made. Do not delay writing because there is a time limit.

## Stock valuation

Partners can ignore this section when completing the *Partnership* pages.

Helpsheet 232 *Farm and stock valuation* explains the methods of farm and stock valuation which are acceptable to us. You can get the helpsheet from [www.hmrc.gov.uk](http://www.hmrc.gov.uk) or from the SA Orderline.

There is only space to enter a single figure for stock in box 84 of your *Self-employment (full)* pages or box 3.101 of your Partnership Tax Return. You may provide a breakdown of that figure in the 'Any other information' box, box 102. Providing this information with your tax return may help avoid enquiries.

## The herd basis

Partners can ignore this section when completing the *Partnership* pages.

### ***What is the herd basis?***

The herd basis is a special method of calculating profits or losses which may be used by people who keep production livestock. If you use the herd basis you will need to keep records so that you can identify the figures to be used when applying the special rules.

As a normal rule, farm animals are dealt with as trading stock. However, some farm animals – those which are kept by farmers not primarily for resale but for the sake of the products (for example, milk or eggs) or offspring (for example, lambs or piglets) which they produce – are in many ways more like capital assets of the farmer's business. Tax law recognises this by giving farmers the option of dealing with such 'production animals' under the herd basis. It provides a set of rules whereby a herd or flock of production animals is excluded from trading stock and treated, in most but not all circumstances, like a capital asset.

A farmer must elect for the herd basis, otherwise the animals are treated as trading stock. The election must specify the class of animals concerned and, once it has been made, the herd basis must be used for as long as the farmer continues to keep animals of that class. The election has to be made soon after the farmer first starts keeping animals of that class, and then the herd basis applies to those animals from the outset. There is a further opportunity to elect to use the herd basis if a herd or a substantial part of it (20% or more) is compulsorily slaughtered.

### ***What is the effect of electing for the herd basis?***

Where a herd basis election is in force, the treatment for the purpose of computing farming profits of the herd or herds covered by the election is governed by the special rules. Very briefly they are:

- the initial cost of the herd is not an allowable deduction, nor is the cost of any subsequent increase in herd size
- the net cost of replacing animals in the herd (but not any element of improvement) is an allowable deduction
- where the odd animal, or just a few animals (amounting to less than 20% of the herd), are sold from the herd and not replaced, the resulting profit or loss is taken into account in arriving at the farming profits
- where the whole herd, or a substantial part (20% or more) of the herd, is sold and not replaced, the resulting profit or loss is not taken into account.

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The herd basis can also apply where animals are jointly owned, for example, in some share-farming arrangements.

There are further special rules for particular situations.

### ***Adjustments to be made in the Self-employment (full) pages of your personal tax return or the Partnership Tax Return***

If you have made a herd basis election then you should include the herd in box 83 of your *Self-employment (full)* pages.

It may be helpful if you provide in the 'Any other information' box, box 102 a breakdown of the figures showing the number and cost of the animals.

Similarly, you can use box 102 to explain any herd basis adjustments in your accounts or how you calculated the adjustments in boxes 59 to 61. Providing this information with your tax return may help to avoid enquiries.

To get to the taxable profit, special adjustments may be needed to the profits shown by the accounts. This will depend upon the way the herd is accounted for. You should deal with these adjustments by making entries in boxes 31 to 45 to remove profits or losses which have been included but which are not taxable, and/or expenses which have been included but which are not allowable. If you have included a sum, which is not taxable in your business turnover, in box 14, then you should make the adjustment in box 61.

For example:

- an animal dies and is replaced by a better animal costing £200 more than a replacement of the same quality as the one that died. Because of the way the accounts are prepared, the cost of the replacement is included in box 16. The £200 which is not allowable should be included in box 31
- a substantial part of a herd is sold and the profit of £10,000 is included in box 28. It is not taxable so it should be adjusted by a negative entry in box 43. If the profit had been included in business turnover at box 14 then the adjustment would be made in box 61
- the following year the herd in the previous example is replaced. The cost of the replacements is included in box 16. The proceeds of sale of the herd sold the previous year now become taxable and must be added to the profit. Make the adjustment in box 59 and put a note in the 'Any other information' box, box 102 to explain the adjustment
- a home-bred dairy cow is added to a herd. The cost of breeding it is included in the various expenses in the accounts. The farmer's records are inadequate to calculate the cost accurately. The cost is estimated at 60% of market value (see Helpsheets 232 *Farm and stock valuation*). If the sum to be disallowed has been included in sales, then no further adjustment is required. Otherwise the sum to be disallowed should be included in box 31.

If an adjustment is needed but you are not sure where to put it, please include it where you think best and use the 'Any other information' box, box 102 to say what you have done.

If you would like more information about the herd basis, ask us or your tax adviser.

## **Losses**

Most losses can be claimed against other income. But there are special rules which restrict your ability to claim if your farm is uncommercial or if you had a run of losses (calculated before capital allowances) of more than five years. Please refer to Helpsheets 227 *Losses* before making a claim. For more information, ask us or your tax adviser.

## Compulsory slaughter

Compensation for compulsory slaughter is normally treated as sale proceeds whether or not the animal concerned is part of a production herd accounted for on the herd basis. Where the animals slaughtered are not on the herd basis and could not be (even with the fresh opportunity to elect for herd basis following compulsory slaughter of more than 20% of a herd), you can use Extra Statutory Concession B11 to remove the profit arising from the year of slaughter and bring it in equal instalments over the next three years. Use box 61 to show profits removed and box 59 to show profits brought back in and put an explanation in the 'Any other information' box, box 102.

## Standard accounts information

General guidance on the completion of pages SEF 2 and SEF 5 of the *Self-employment (full)* pages (or pages 3 and 5 of the Partnership Tax Return) is contained in the notes to those pages. Helpsheet 229 *Information from your accounts*, gives further advice on transferring figures from accounts to the tax return and includes two examples of a general nature.

The accounts produced for farming businesses have traditionally included more detail than those for other businesses of a comparable size. The examples that follow show how the figures from one such set of accounts could be used to complete the standard accounts information sections of the *Self-employment (full)* pages or Partnership Tax Return.

The accounts are intended to be broadly realistic, but figures are illustrative only. They do not necessarily reflect our views on what may or may not be acceptable in any particular case.

For most businesses the information on the *Self-employment (full)* pages or Partnership Tax Return, together with any entries in the 'Any other information' box considered necessary, will enable a full and fair picture of your business to be presented.

In some larger or more complex businesses, this may not, on its own, provide an adequate means of disclosure. You should consider submitting more information including, where necessary, accounts and supporting calculations where:

- a large farming business has a substantial turnover
- the farming business is complex (perhaps because it is highly specialised or diversified)
- accounts and/or a note of the calculations are required for a proper understanding of the figures.

You must also complete the standard accounts information sections of the tax return.

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## Agricultural buildings

The 2008 Finance Act implemented the previously announced withdrawal of agricultural buildings allowance (ABA). The allowance of 4% was gradually phased out by giving only part of the allowance each year. The allowance given was calculated in the normal way, but then only a fraction of it is allowed. These are the fractions you can claim:

- 2007–08 4% is allowed
- 2008–09  $\frac{3}{4}$  of the 4%
- 2009–10  $\frac{1}{2}$  of the 4%
- 2010–11  $\frac{1}{4}$  of the 4%
- 2011–12 nil.

This is illustrated in Example 4.

### Example 4

A barn costs £50,000 to construct during the year ended 5 April 2008. The amount of the agricultural buildings allowance available to set off against your profits was £2,000 (£50,000 × 4%) for the year ended 5 April 2008, £1,500 (£50,000 × 4% ×  $\frac{3}{4}$ ) for the year ended 5 April 2009, £1,000 (£50,000 × 4% ×  $\frac{1}{2}$ ) for the year ended 5 April 2010, £500 (£50,000 × 4% ×  $\frac{1}{4}$ ) for the year ended 5 April 2011 and nil thereafter.

Where your accounting period is shorter than 12 months, the claim should be time apportioned accordingly, and if your accounting period is not the tax year, the allowance you claim should be apportioned. The rate you are actually able to claim is determined by how much of your chargeable period, normally the period for which you draw up accounts, falls within each tax year. This is illustrated in Example 5.

### Example 5

You spent £10,000 on a cowshed in 1990. The allowances were initially due at £400 a year. You stop trading and draw up accounts for nine months from 6 April 2011 to 31 December 2011. You can claim agricultural buildings allowance in this account of nil.

If your accounting period was 1 January 2011 to 31 December 2011, you could claim (£10,000 × (4% ×  $\frac{1}{4}$ ) ×  $\frac{3}{12}$  = £25) + nil, a total of £25.

You can find more guidance in the agricultural buildings allowance section of the Capital Allowances Manual available at [www.hmrc.gov.uk](http://www.hmrc.gov.uk)

Some buildings did not qualify in full for agricultural buildings allowance. If a building was a farmhouse, the maximum expenditure qualifying for agricultural buildings allowance was one-third of the construction expenditure. If the accommodation and the amenities of the farmhouse are out of due proportion to the nature and extent of the farm, the expenditure which qualifies is less than one-third.

### Example 6

You constructed a farmhouse at a cost of £150,000. The maximum expenditure that would have qualified for agricultural buildings allowance was £50,000 ( $£150,000 \times \frac{1}{3}$ ).

If a building which is not a farmhouse was used partly for non-agricultural purposes, only part of the expenditure qualified for agricultural buildings allowance.

### Example 7

You constructed a barn for £60,000. This has three sections of which you used two for your farm and one for private storage. The maximum expenditure that would have qualified for agricultural buildings allowance was £40,000 ( $£60,000 \times \frac{2}{3}$ ).

The allowance for each agricultural building is calculated separately.

There were special rules if you sold an agricultural building or if you bought an agricultural building on which somebody else had been claiming allowances. You can find more guidance in the Capital Allowances Manual, available at [www.hmrc.gov.uk](http://www.hmrc.gov.uk) or your tax adviser will be able to give you advice.



## Example 8

### Trading and Profit & Loss Account for the year ended 31 March 2012

Sales of livestock	£14,800		
Transfers to herd ( <i>Note 1</i> )	<u>1,200</u>	16,000	<i>Box 14</i>
Sales of produce:			
• crops and subsidies	42,163		
• milk	68,337		
• straw	<u>50</u>	110,550	<i>Box 14</i>
Miscellaneous receipts ( <i>Note 2</i> )	650		
Sheep grazing	<u>950</u>	<u>1,600</u>	<i>Box 14 &amp; Box 15</i>
		128,150	
Opening valuation	42,500		
Feeds, seeds and fertilisers	<u>42,800</u>		
	85,300		
Closing valuation	44,200	41,100	<i>Box 16</i>
<b>Gross profit</b>		87,050	
Rent ( <i>Note 3</i> )	2,350		<i>Box 20</i>
Rates and water ( <i>Note 3</i> )	1,700		<i>Box 20</i>
Wages	14,125		<i>Box 18</i>
Insurance ( <i>Note 4</i> )	1,205		<i>Box 22</i>
Equipment and vehicle expenditure ( <i>Note 5</i> )	15,923		<i>Box 16 &amp; Box 19</i>
Light and heat ( <i>Note 6</i> )	3,779		<i>Box 20</i>
Phone ( <i>Note 6</i> )	759		<i>Box 22</i>
Contracting and plant hire ( <i>Note 7</i> )	1,991		<i>Box 21</i>
Lease of milk quota	4,620		<i>Box 16</i>
Haulage	365		<i>Box 16</i>
Veterinary expenses ( <i>Note 8</i> )	1,215		<i>Box 27</i>
Bank charges ( <i>Note 9</i> )	2,273		<i>Box 24 &amp; Box 25</i>
Hire purchase interest	1,274		<i>Box 25</i>
Silage wrapping	1,592		<i>Box 16</i>
Accountancy	923		<i>Box 27</i>
Valuation charges	175		<i>Box 27</i>
Miscellaneous expenses	1,297		<i>Box 29</i>
Depreciation	<u>6,292</u>		<i>Box 28 &amp; Box 43</i>
		61,858	
<b>Net profit</b>		£25,192	

### Balance Sheet at 31 March 2012

<b>Fixed assets</b>			
Land	200,269		<i>Box 83</i>
Buildings	125,694		<i>Box 83</i>
Machinery	32,578		<i>Box 82</i>
Milk quota	9,520		<i>Box 83</i>
Dairy herd (herd basis)	<u>17,700</u>		<i>Box 83</i>
		385,761	
<b>Current assets</b>			
Valuation ( <i>Note 10</i> )			
Growing crops	12,200		
Livestock	14,750		
Produce	14,050		
Deadstock	<u>3,200</u>		
	44,200		<i>Box 84</i>
Debtors and prepayments	14,770		<i>Box 85</i>
	<u>58,970</u>		
<b>Current liabilities</b>			
Creditors	16,021		<i>Box 90</i>
Overdraft	11,565		<i>Box 91</i>
HP account	<u>25,641</u>		<i>Box 92</i>
		53,227	
<b>Net current assets</b>		<u>5,743</u>	
<b>Net assets</b>		<u>391,504</u>	<i>Box 93</i>
Represented by:			
Capital Account			
• Balance at 1/4/11	384,623		<i>Box 94</i>
• Net profit	<u>25,192</u>		<i>Box 95</i>
	409,815		
• Less drawings	<u>18,311</u>		<i>Box 97</i>
		391,504	<i>Box 98</i>

**Note 1**

Herd basis adjustment to exclude the cost of home-bred additions to the herd. Following the suggestions in this helpsheet, the herd basis reconciliation is included in the 'Any other information' box, box 102.

**Note 2**

Miscellaneous receipts comprise haulage (£401) and way leaves (£249). Haulage has been included as an item of business income in box 14. The way leaves are included in box 15.

**Note 3**

The private proportions of rent and of rates and water are respectively £475 and £200. These amounts need to be disallowed in arriving at the profit for tax purposes and are included in box 35.

**Note 4**

There are several figures making up the overall insurance expense. £210 relates to motor vehicles partly used for private purposes. This amount is included in the entry in box 19 (see Note 5 below). There is a choice as far as the balance is concerned. That part relating to the premises and property could be included in the entry in box 20; but it would also be reasonable to enter the full amount of the balance in box 22 on a consistent basis from year to year. The latter approach is adopted here.

**Note 5**

The equipment and vehicle expenditure comprises the following: tractor/combine repairs, £6,351, tractor/combine diesel, £5,102 and motor car expenses, £4,470. This latter figure, together with the motor insurance costs, is entered in box 19. Of the total motoring costs of £4,680 (£4,470 + £210), 30% are for private use and are disallowed by entering the private proportion, £1,404, in box 34. The tractor/combine expenditure has been treated as a direct cost of production and included in the entry in box 16, although it would be equally acceptable to separate the repairs expenditure and enter it in box 21.

**Note 6**

The private proportions of light and heat and of phone are respectively £650 and £150. To arrive at the profit for tax purposes, these amounts have to be disallowed and are included in the entries for boxes 35 and 37 respectively.

**Note 7**

Contracting and plant hire comprises costs of a ditching contractor £1,767 and plant hire, £224. The expenditure all relates to maintenance of the farm and has been entered in box 21. Had the contracting been in respect of contract milkers or contract harvesters, for example, it would have been entered in box 16 as a direct cost of production.

**Note 8**

Veterinary expenses includes £177 for treatment to a privately owned pony. This has been disallowed by including the amount in the entry in box 42. All associated expenses of upkeep of the pony have been met privately or charged to drawings.

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## Note 9

Bank charges includes £701 interest charges which is entered separately in box 24.

## Note 10

Details of the valuation at the year end are included in the 'Any other information' box, box 102 to help clarify the figure shown in box 84. It is not necessary for a professional valuation to be obtained but the likely reliability of the valuation will be one of the factors we will consider in deciding whether to open an enquiry.

### Business income

14 Your turnover - the takings, fees, sales or money earned by your business

£ 1 2 7 9 0 1 . 0 0

15 Any other business income not included in box 14 - excluding Business Start-up Allowance

£ 2 4 9 . 0 0

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Notes 1 and 2

Note 2

## Business expenses

Read pages SEFN 7 to SEFN 9 of the *notes* before completing this section.

Total expenses		Disallowable expenses		
If your annual turnover was below £73,000 you may just put your total expenses in box 30		Use this column if the figures in boxes 16 to 29 include disallowable amounts		
16	Cost of goods bought for resale or goods used	31		Note 5
£	5 9 1 3 0 . 0 0	£		
17	Construction industry – payments to subcontractors	32		
£		£		
18	Wages, salaries and other staff costs	33		Note 5
£	1 4 1 2 5 . 0 0	£		
19	Car, van and travel expenses	34		Notes 3 and 6
£	4 6 8 0 . 0 0	£	1 4 0 4 . 0 0	
20	Rent, rates, power and insurance costs	35		Note 7
£	7 8 2 9 . 0 0	£	1 3 2 5 . 0 0	
21	Repairs and renewals of property and equipment	36		Note 6
£	1 9 9 1 . 0 0	£		
22	Phone, fax, stationery and other office costs	37		Note 4
£	1 7 5 4 . 0 0	£	1 5 0 . 0 0	
23	Advertising and business entertainment costs	38		
£		£		
24	Interest on bank and other loans	39		Note 9
£	7 0 1 . 0 0	£		
25	Bank, credit card and other financial charges	40		
£	2 8 4 6 . 0 0	£		
26	Irrecoverable debts written off	41		
£		£		
27	Accountancy, legal and other professional fees	42		Note 8
£	2 3 1 3 . 0 0	£	1 7 7 . 0 0	
28	Depreciation and loss/profit on sale of assets	43		
£	6 2 9 2 . 0 0	£	6 2 9 2 . 0 0	
29	Other business expenses	44		
£	1 2 9 7 . 0 0	£		
30	Total expenses (total of boxes 16 to 29)	45	Total disallowable expenses (total of boxes 31 to 44)	
£	1 0 2 9 5 8 . 0 0	£	9 3 4 8 . 0 0	

## Balance sheet

If your business accounts include a balance sheet showing the assets, liabilities and capital of the business, fill in the relevant boxes below. If you do not have a balance sheet, go to box 99.

### Assets

82 Equipment, machinery and vehicles

£ 3 2 5 7 8 . 0 0

83 Other fixed assets

£ 3 5 3 1 8 3 . 0 0

84 Stock and work in progress

£ 4 4 2 0 0 . 0 0

85 Trade debtors

£ 1 4 7 7 0 . 0 0

86 Bank/building society balances

£ . 0 0

87 Cash in hand

£ . 0 0

88 Other current assets and prepayments

£ . 0 0

89 Total assets (total of boxes 82 to 88)

£ 4 4 4 7 3 1 . 0 0

### Liabilities

90 Trade creditors

£ 1 6 0 2 1 . 0 0

91 Loans and overdrawn bank account balances

£ 1 1 5 6 5 . 0 0

92 Other liabilities and accruals

£ 2 5 6 4 1 . 0 0

### Net business assets

93 Net business assets (box 89 minus (boxes 90 to 92))

£ 3 9 1 5 0 4 . 0 0

### Capital account

94 Balance at start of period

£ 3 8 4 6 2 3 . 0 0

95 Net profit or loss (box 46 or box 47)

£ 2 5 1 9 2 . 0 0

96 Capital introduced

£ . 0 0

97 Drawings

£ 1 8 3 1 1 . 0 0

98 Balance at end of period

£ 3 9 1 5 0 4 . 0 0

## Any other information

102 Please give any other information in this space

### Details of professional valuations in box 83

Growing crops	12,200
Livestock (not herd basis)	14,750
Produce	14,050
Deadstock	<u>3,200</u>
	<b>£44,200</b>

Note 10

### Herd basis reconciliation @31 03 10

Opening herd	20 @£200	4,000	
	25 @£500	12,500	16,500
Additions	2 @£600		<u>1,200</u>
			<b>£17,700</b>

Note 1

## Example 9 Partnership Tax Return

### Trading and Profit & Loss Account for the year ended 31 March 2012

Sales of livestock	£14,800		
Transfers to herd ( <i>Note 1</i> )	<u>1,200</u>	16,000	
Sales of produce:			
• crops and subsidies	42,163		
• milk	68,337		
• straw	<u>50</u>	110,550	
Miscellaneous receipts ( <i>Note 2</i> )	650		<i>Box 3.50</i>
Sheep grazing	<u>950</u>	<u>1,600</u>	
	( <i>Note 2</i> )	128,150	<i>Box 3.29</i>
Opening valuation	42,500		
Feeds, seeds and fertilisers	<u>42,800</u>		
	85,300		
Closing valuation	44,200	41,100	<i>Box 3.46</i>
<b>Gross profit</b>		87,050	
Rent ( <i>Note 3</i> )	2,350		<i>Box 3.52</i>
Rates and water ( <i>Note 3</i> )	1,700		<i>Box 3.52</i>
Wages	14,125		<i>Box 3.51</i>
Insurance ( <i>Note 4</i> )	1,205		<i>Box 3.54</i>
Equipment and vehicle expenditure ( <i>Note 5</i> )	15,923		<i>Box 3.55 &amp; Box 3.48</i>
Light and heat ( <i>Note 6</i> )	3,779		<i>Box 3.52</i>
Phone ( <i>Note 6</i> )	759		<i>Box 3.54</i>
Contracting and plant hire ( <i>Note 7</i> )	1,991		<i>Box 3.53</i>
Lease of milk quota	4,620		<i>Box 3.48</i>
Haulage	365		<i>Box 3.48</i>
Veterinary expenses ( <i>Note 8</i> )	1,215		<i>Box 3.58</i>
Bank charges ( <i>Note 9</i> )	2,273		<i>Box 3.60 &amp; Box 3.61</i>
Hire purchase interest	1,274		<i>Box 3.61</i>
Silage wrapping	1,592		<i>Box 3.48</i>
Accountancy	923		<i>Box 3.58</i>
Valuation charges	175		<i>Box 3.58</i>
Miscellaneous expenses	1,297		<i>Box 3.63</i>
Depreciation	<u>6,292</u>		<i>Box 3.62 &amp; Box 3.44</i>
		<u>61,858</u>	
<b>Net profit</b>		£25,192	

### Balance Sheet at 31 March 2012

<b>Fixed assets</b>			
Land	200,269		<i>Box 3.100</i>
Buildings	125,694		<i>Box 3.100</i>
Machinery	32,578		<i>Box 3.99</i>
Milk quota	9,520		<i>Box 3.100</i>
Dairy herd (herd basis)	<u>17,700</u>		<i>Box 3.100</i>
		385,761	
<b>Current assets</b>			
Valuation ( <i>Note 10</i> )			
Growing crops	12,200		
Livestock	14,750		
Produce	14,050		
Deadstock	<u>3,200</u>		
	44,200		<i>Box 3.101</i>
Debtors and prepayments	<u>14,770</u>		<i>Box 3.102</i>
		<u>58,970</u>	
<b>Current liabilities</b>			
Creditors	16,021		<i>Box 3.106</i>
Overdraft	11,565		<i>Box 3.107</i>
HP account	<u>25,641</u>		<i>Box 3.108</i>
		<u>53,227</u>	
<b>Net current assets</b>		<u>5,743</u>	
<b>Net assets</b>		<u>391,504</u>	<i>Box 3.110</i>
Represented by:			
Capital Account			
• Balance at 1/4/11	384,623		<i>Box 3.111</i>
• Net profit	<u>25,192</u>		<i>Box 3.112</i>
	409,815		
• Less drawings	<u>18,311</u>		<i>Box 3.114</i>
		391,504	<i>Box 3.115</i>

***In the following notes the box number refers to the Self-employment (full) pages. The equivalent box number on the Partnership Tax Return is given in brackets.***

**Note 1**

Herd basis adjustment to exclude the cost of home-bred additions to the herd. Following the suggestions in this helpsheet, the herd basis reconciliation is included in the 'Any other information' box, box 102 (3.116). The dairy herd is dealt with on the herd basis and is therefore a fixed asset and included in box 83 (3.100) in the 'Balance Sheet'.

**Note 2**

Miscellaneous receipts comprise haulage (£401) and way leaves (£249). Haulage has been included as an item of business income in box 14 (3.29). The way leaves are included in box 15 (3.50).

**Note 3**

The private proportions of rent and of rates and water are respectively £475 and £200. These amounts need to be disallowed in arriving at the profit for tax purposes and are included in box 35 (3.34).

**Note 4**

There are several figures making up the overall insurance expense. £210 relates to motor vehicles partly used for private purposes. This amount is included in the entry in box 19 (3.37) (see Note 5 below). As far as the balance is concerned, there is a choice on the *Self-employment* pages either box 20 or box 22. In this example box 22 (3.52) has been used. Whatever box is chosen, it should be used on a consistent basis from year to year.

**Note 5**

The equipment and vehicle expenditure comprises the following: tractor/combine repairs, £6,351, tractor/combine diesel, £5,102 and motor car expenses, £4,470. This latter figure, together with the motor insurance costs, is entered in box 19 (3.55). Of the total motoring costs of £4,680 (£4,470 + £210), 30% are for private use and are disallowed by entering the private proportion, £1,404, in box 34 (3.37). The tractor/combine expenditure has been treated as a direct cost of production and included in the entry in box 16 (3.48), although it would be equally acceptable to separate the repairs expenditure and enter it in box 21 (3.53).

**Note 6**

The private proportions of light and heat and of phone are respectively £650 and £150. To arrive at the profit for tax purposes, these amounts have to be disallowed and are included in the entries for boxes 35 (3.34) and 37 (3.36) respectively.

**Note 7**

Contracting and plant hire comprises costs of a ditching contractor £1,767 and plant hire, £224. The expenditure all relates to maintenance of the farm and has been entered in box 21 (3.53). Had the contracting been in respect of contract milkers or contract harvesters, for example, it would have been entered in box 16 (3.48) as a direct cost of production.



## **Contacts**

Please phone:

- the number printed on page TR 1 of your tax return
- the SA Helpline on **0845 9000 444**
- the SA Orderline on **0845 9000 404** for helpsheets

or go to

[www.hmrc.gov.uk](http://www.hmrc.gov.uk)

### **Note 8**

Veterinary expenses includes £177 for treatment to a privately owned pony. This has been disallowed by including the amount in the entry in box 42 (3.40). All associated expenses of upkeep of the pony have been met privately or charged to drawings.

### **Note 9**

Bank charges includes £701 interest charges which is entered separately in box 24 (3.61).

### **Note 10**

Details of the valuation at the year end are included in the 'Any other information' box, box 102 (3.116) to help clarify the figure shown in box 84 (3.101). It is not necessary for a professional valuation to be obtained but the likely reliability of the valuation will be one of the factors we will consider in deciding whether to open an enquiry.

## TRADING AND PROFESSIONAL INCOME for the year ended 5 April 2012, continued

### Income and expenses for this accounting period

You must fill in this page if your annual turnover was between £73,000 and £15m. If the combined annualised turnover from all your activities was more than £15m, fill in boxes 3.24 to 3.26 on page 3 and send in the partnership accounts and computations as well. In all cases, complete box 3.83 or box 3.84 on page 5, and the other boxes on page 5 if applicable. Read the notes on page PTRG 12 of the Partnership Tax Return Guide.

If you were registered for VAT, do the figures in boxes 3.29 to 3.64 include VAT?

3.27 ☐ or exclude VAT?

3.28 ☐

Sales/business income (turnover)

3.29 £ 127,901

Disallowable expenses included in boxes 3.46 to 3.63

Total expenses

• Cost of sales	3.30 £	3.46 £ 41,100
• Construction industry subcontractor costs	3.31 £	3.47 £
• Other direct costs	3.32 £	3.48 £ 18,030

Gross profit/(loss)

box 3.29 minus (boxes 3.46 + 3.47 + 3.48)  
3.49 £ 68,771

Other income/profits

3.50 £ 249

• Employee costs	3.33 £	3.51 £ 14,125
• Premises costs	3.34 £ 1,325	3.52 £ 7,829
• Repairs	3.35 £	3.53 £ 1,991
• General administrative expenses	3.36 £ 150	3.54 £ 1,754
• Motor expenses	3.37 £ 1,404	3.55 £ 4,680
• Travel and subsistence	3.38 £	3.56 £
• Advertising, promotion and entertainment	3.39 £	3.57 £
• Legal and professional costs	3.40 £ 177	3.58 £ 2,313
• Bad debts	3.41 £	3.59 £
• Interest and alternative finance payments	3.42 £	3.60 £ 701
• Other finance charges	3.43 £	3.61 £ 2,846
• Depreciation and loss/(profit) on sale	3.44 £ 6,292	3.62 £ 6,292
• Other expenses including partnership charges	3.45 £	3.63 £ 1,297

Put the total of boxes 3.30 to 3.45 in box 3.66 below

Total expenses

boxes 3.51 to 3.63  
3.64 £ 43,828

Net profit/(loss)

boxes 3.49 + 3.50 minus 3.64  
3.65 £ 25,192

### Tax adjustments to net profit or loss for this accounting period

• Disallowable expenses	3.66 £ 9,348
• Goods etc. taken for personal use and other adjustments (apart from disallowable expenses) that increase profits	3.67 £
• Balancing charges (from box 3.23)	3.68 £

Total additions to net profit (deduct from net loss)

boxes 3.66 + 3.67 + 3.68  
3.69 £ 9,348

• Capital allowances (from box 3.22)	3.70 £
• Deductions from net profit (add to net loss)	3.71 £

boxes 3.70 + 3.71  
3.72 £

Net business profit for tax purposes for this accounting period (put figure in brackets if a loss)

boxes 3.65 + 3.69 minus box 3.72  
3.73 £ 34,540

## TRADING AND PROFESSIONAL INCOME for the year ended 5 April 2012, continued

### Taxable profit or loss for this accounting period

- Adjustment on change of basis **3.82** £

Copy this figure to box 11A in the Partnership Statement

Net profit for this accounting period (if loss, enter '0' here) from box 3.26 or box 3.73 **3.83** £

Copy this figure to box 11 in the Partnership Statement

Allowable loss for this accounting period (if profit, enter '0' here) from box 3.26 or box 3.73 **3.84** £

Copy this figure to box 12 in the Partnership Statement

Tick box 3.93 if the figure in box 3.83 or box 3.84 is provisional **3.93**

### Subcontractors in the construction industry

- Deductions on payment and deduction statements from contractors - construction industry subcontractors only **3.97** £

Copy this figure to box 24 in the Partnership Statement

### Tax taken off trading income

- Tax taken off trading income (excluding deductions made by contractors on account of tax) **3.98** £

See page PTRG 5 of the Partnership Tax Return Guide if you are a 'CT Partnership'.

Copy this figure to box 24A in the Partnership Statement

### Summary of balance sheet for this accounting period

Leave these boxes blank if you do not have a balance sheet or your annual turnover was more than £15m.

#### Assets

Plant, machinery and motor vehicles	<b>3.99</b> £	<b>32,578</b>
Other fixed assets (premises, goodwill, investments etc.)	<b>3.100</b> £	<b>353,183</b>
Stock and work in progress	<b>3.101</b> £	<b>44,200</b>
Debtors/prepayments/other current assets	<b>3.102</b> £	<b>14,770</b>
Bank/building society balances	<b>3.103</b> £	
Cash in hand	<b>3.104</b> £	
		boxes 3.99 to 3.104
		<b>3.105</b> £ <b>444,731</b>

#### Liabilities

Trade creditors/accruals	<b>3.106</b> £	<b>16,021</b>
Loans and overdrawn bank accounts	<b>3.107</b> £	<b>11,565</b>
Other liabilities	<b>3.108</b> £	<b>25,641</b>
		boxes 3.106 to 3.108
		<b>3.109</b> £ <b>53,227</b>

Net business assets (put the figure in brackets if you had net business liabilities)

box 3.105 minus box 3.109  
**3.110** £ **391,504**

### Represented by Partners' current and capital accounts

Balance at start of period*	<b>3.111</b> £	<b>384,623</b>
Net profit/(loss)*	<b>3.112</b> £	<b>25,192</b>
Capital introduced	<b>3.113</b> £	
Drawings	<b>3.114</b> £	<b>18,311</b>
		boxes 3.111 to 3.113 minus box 3.114
		<b>3.115</b> £ <b>391,504</b>
Balance at end of period*		

\* If the capital account is overdrawn, or the business made a net loss, show the figure in brackets.

Box 3.116 'Additional information' is on page 3.

### Partnership trade charges

- Net partnership charges paid in the period 6 April 2011 to 5 April 2012 (not the accounting period) **3.117** £