

i 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

These notes will help you to complete the *Scottish Parliament* pages of your tax return. The *Scottish Parliament* pages cover only your Scottish Parliament income; make sure you also complete any other pages appropriate to your circumstances.

Gather together the material you need, for example:

- your P60, an Allowances Office form showing pay and tax details for the year
- your PAYE Coding Notices for 2010–11 and 2011–12
- a form P11D or equivalent statement from the Allowances Office or Scottish Executive giving details of any benefits and expenses you have received in the year
- receipts for any allowable expenditure you have incurred
- any of the helpsheets you think you need.

The word ‘office’ is used in these notes to include the office held as a Member of the Scottish Parliament (MSP), or as an MSP and Minister of the Scottish Executive. Also ‘P11D’ means P11D, P9D or equivalent information.

If you were in office on 5 April 2011

Your P60 should show the total pay and tax from your office (as well as from previous employments during the year). Your P45 (Part 1A) should, if you had one, also show pay from previous employments. Do not include in the *Scottish Parliament* pages any amounts on your P60, or P45 (Part 1A) relating to employment other than from your office of MSP or MSP and Minister of the Scottish Executive.

Income from office**Box 1 *Payments from P60 (or P45 or payslips) – before tax was taken off***

Enter the money you received as an MSP or Minister of the Scottish Executive.

Your P60 will show figures for pay and tax from the office you held at 5 April 2011. If you had more than one office, the form may also include a second set of pay and tax details for your previous offices. The details will be added together in the figures on your P60.

You may need to refer to other records (such as payslips, form P45 (Part 1A), or statements of taxable benefit) to work out the figures for pay from the earlier offices to go in each copy of the *Scottish Parliament* pages you complete (one for each office).

If you were unemployed during the year, your P60 figure will include any Jobseeker’s Allowance or Incapacity Benefit you received. Do not include these in the *Scottish Parliament* pages (or any copies of the *Employment* page that you fill in). Instead, you should enter any Jobseeker’s Allowance in box 14 and any taxable Incapacity Benefit in boxes 12 and 13 on page TR 3 of your tax return.

Some of the more common items to include are explained in the ‘Money payments’ section on page MSPN 2. If you received an item or payment in connection with your office and are not sure whether to include it, ask us or your tax adviser for advice.

General rule

Include in box 1 all the income you received as an MSP or Minister of the Scottish Executive in the year to 5 April 2011, even if you earned it in an earlier tax year or you have been paid for work not yet done.

Treat this income as if you received it on the earlier of:

- the date when the payment, or payment on account, was made, or
- the date you became entitled to be paid.

This is so even if you were not paid until later, or received no actual payment because you arranged for the sum due to you to be applied in some other way instead.

Money payments

For every item you must enter the amount **before** deducting any expenses you wish to claim.

Money payments you **should** include in box 1 are:

- your salary as an MSP or Minister of the Scottish Executive
- Statutory Sick Pay, Statutory Maternity Pay, Statutory Paternity Pay and Statutory Adoption Pay except when paid by us
- payments from third parties where the payment is made as a reward for services given, or yet to be given, in your capacity as an MSP or Minister of the Scottish Executive.

Items you **should not** include in box 1 are:

- benefits and expenses payments received – these go in boxes 3 to 7
- lump sums paid in connection with termination of office, retirement or death. Enter these in boxes 3 to 9 of the ‘Share schemes etc’. section on page Ai 2 of the *Additional information* pages
- payments made to the Scottish Parliamentary Pension Scheme.

If you have received a lump sum payment, for example, a Resettlement Grant which was taxed and included on your P45, and which you have entered in the lump sum boxes on your tax return, make sure you deduct it from the figure you enter in box 1.

Box 2 Tax taken off box 1

Enter in box 2 the amount of any tax taken off the amounts entered in box 1.

The tax taken off will be shown on your form P60 or P45 (Part 1A). Enter this figure in box 2 even if you had to complete boxes 3 to 9 of the ‘Share schemes etc’. section on page Ai 2 of the *Additional information* pages to make an adjustment in box 1.

Benefits from your office

The Allowances Office or the Scottish Executive send us details of all benefits and taxable expenses you received by reason of your office. They will also give you this information.

The details you get will not include any items for which the Allowances Office or the Scottish Executive has a dispensation. These items should not be entered on your tax return. (A dispensation is an arrangement the Allowances Office or the Scottish Executive may have made with us. It saves you the trouble of including as income a benefit or expenses payment you receive as an MSP or Minister of the Scottish Executive and then making a matching claim for the allowable expenses you incur.)

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Box 3 *Accommodation, excluding Overnight Accommodation outside Edinburgh*

Your Scottish Parliamentary income includes the value of any accommodation and ancillary services (for example, heating, lighting or cleaning) you (or your family or household) get by reason of your office as an MSP. (Any accommodation you have by reason of another office or employment should be shown on separate pages covering that office or employment.) The value of some accommodation is exempt from tax, for instance, if there is a special threat to your security and the accommodation is provided as part of special security arrangements. If you have agreed with us that your accommodation is exempt then do not enter anything in box 3 unless circumstances have changed. However, there is a charge to tax on the ancillary services. This is usually limited to 10% of your salary of the office concerned. Enter this value in box 3.

Box 4 *Office Cost Provision*

Payments you receive from the Allowances Office to reimburse you for expenses you incur, in the performance of your duties as an MSP or Minister of the Scottish Executive, on running an office or on secretarial and research assistance, are all taxable. (Claim any expenses allowable for tax purposes by filling in boxes 8 and 9.)

The Allowances Office should provide you with details. Enter in box 4 the amount reimbursed or paid to you, or on your behalf. Do not enter anything paid as part of your Office Cost Provision for capital items such as office equipment as this is wholly covered by Annual Investment Allowance (see notes on Capital Allowances on page MSPN 6).

Include in box 4:

- sums you receive which cover day-to-day office expenses like heating, lighting, phone, postage and stationery
- surgery advertising provision, telecommunications provision.

Do not enter details of Staff Salary Provision which covers the costs of employing staff to assist you in the performance of your parliamentary functions. This includes salary, pension contributions and employer's National Insurance contributions. The Allowances Office makes these payments direct on your behalf. Nor should you claim any allowances for these sums. They are taxable and allowable in identical amounts and we have agreed that they do not need to be put on your tax return.

Box 5 *Other cash reimbursements*

Enter in box 5 any reimbursements made to you by the Allowances Office for vehicle hire costs, taxi fares or any taxable reimbursement not entered elsewhere in these pages. Any claim for tax relief for these payments can be made in boxes 8 and 9.

Box 6 *All other benefits*

The Allowances Office or the Scottish Executive should have given you details of other benefits you received. Those mentioned in boxes 3 to 5 are the most common. Enter in box 6 the total cash equivalent of any other benefits you received as an MSP or Minister of the Scottish Executive that you have not included elsewhere, for example, the cost of private bus or rail travel.

Cash equivalents of other benefits

Cash equivalents are arrived at in different ways, according to the type of benefit.

Assets (other than land and motor vehicles) provided for private use

Where the asset has been available throughout the year the cash equivalent will generally be based on:

- 20% of its market value when it was first used to provide a benefit, plus
- expenses (other than the cost of acquiring it) incurred in connection with it which would not have been incurred but for the provision of the benefit.

If that total represents benefits provided for more than one Member, the cash equivalent for each will be based on a proportion of the whole amount. It is reduced by any amount made good to the provider in return for the benefit. For more information, ask us or your tax adviser.

All other benefits

The cash equivalent is generally what the benefit cost the person who provided it (minus any amount made good to the provider). If that amount represents benefits provided for more than one Member, the cash equivalent for each is a proportion of the whole amount. For more information see booklet 480 *Expenses and benefits – A tax guide* available from the SA Orderline or www.hmrc.gov.uk

Make sure you include in box 6 the benefit of a car, or car and fuel, made available to you by reason of your office as an MSP. Do not include benefits made available to you by reason of any non-Parliamentary office or employment. Enter those on the *Employment* page of your tax return.

Some of the more common benefits are listed in the Working Sheet below to help you arrive at a total for box 6.

Working Sheet for box 6

Assets provided for private use

£

Home phone(s)

£

Subscriptions and professional fees

£

Goods or services provided

£

Employer supported childcare (in some circumstances this benefit is **not** chargeable - see booklet 480)

£

Educational assistance provided (in some circumstances this benefit is **not** chargeable - see booklet 480)

£

All other benefits

£

Total

A £

Copy the figure in box A to box 6 in the Scottish Parliament pages

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Box 7 *Balancing charges*

You can claim tax relief for the annual depreciation of equipment which you need to use in carrying out your duties. This relief is called ‘capital allowances’. Sometimes, when you sell or give away an item of equipment, some of the capital allowances you have had will be recovered. This is called a ‘balancing charge’.

A detailed explanation of how capital allowances and balancing charges are worked out is in the section ‘What are capital allowances and balancing charges?’ on page MSPN 6. If you need further guidance, ask us or your tax adviser.

Office expenses paid out by you

This section explains the rules for claiming expenses necessarily incurred in performing your duties as an MSP or Minister of the Scottish Executive. Please note that the Allowances Office may make payments for you, which are not tax deductible.

Dispensations

Do not include in your claim any expenses which you have paid if:

- you can claim them back from the Allowances Office or the Scottish Executive, and
- the expenses are covered by a dispensation.

If you are uncertain whether the Allowances Office or the Scottish Executive has a dispensation you should ask for details. Also see the section headed ‘Benefits from your office’ beginning on page MSPN 2.

However, if you have incurred allowable expenses over and above the amount covered by the dispensation you may be entitled to claim a deduction for the excess.

Box 8 *Office costs, secretarial, clerical and research assistance*

You can claim the expense of employing secretarial, clerical and research assistants when necessarily incurred in performing your duties as an MSP or Minister of the Scottish Executive.

Do not claim for sums paid by the Allowances Office on the expense of employing secretarial, clerical and research assistants when necessarily incurred in the performance of your duties as an MSP or Minister of the Scottish Executive. These sums are taxable and allowable in identical amounts and we have agreed that they do not need to be put on your tax return.

You can claim the total spent during the year on the day-to-day running of your office, for example, on heating, lighting, phone, post and stationery.

The figure in box 8 will often correspond to the amount of Office Cost Provision. The Allowances Office will provide you with details.

It will not include expenses met out of the Financial Assistance to Political Parties Fund. Such payments do not form part of your taxable income and tax relief is not available for the expenses they meet.

These payments include payments made from your own funds and those notified to you by the Allowances Office. The total expenses cannot exceed the income from your office including all payments notified to you by the Allowances Office.

If, during the year, you have paid amounts other than through the Allowances Office, put the total of these amounts in box 8. However, do not include anything in box 8 which in any way relates to properties against which you have made a claim to the Allowances Office for Overnight Subsistence Allowance.

Box 9 *Other expenses and capital allowances*

Enter in box 9 the total amount of any other expenses and capital allowances.

Other expenses

You can claim only those expenses which each and every MSP or Minister of the Scottish Executive would have to meet. The expenses have to be incurred in actually carrying out the official duties. Expenses that might put you in a position to do your official duties, rather than actually doing them, are not allowable.

Most of the expenses which you can claim have been covered earlier. However, you may be able to claim for other expenses you incur in the performance of your duties, for example, payments you have entered in box 5 and which meet the qualifying conditions for tax relief. You may have agreed claims with us on other items in the past. If so, you should work out the amount of allowable expenses on the agreed basis. If you are uncertain about what you may be entitled to claim you should ask us for help **before** filling in box 9.

Capital allowances

Capital allowances will usually be available on the capital cost to you of equipment you have to provide to carry out your duties as an MSP or Minister of the Scottish Executive. No allowance is available in respect of IT and other 'equipment' provided for your use by the Scottish Parliament Corporate Body (SPCB) or for assets you buy for or to use in residential accommodation. In addition, you cannot claim capital allowances for your motor vehicle. The section below tells you how to work them out.

If, during the year, you start or stop using an item for your duties as an MSP or Minister of the Scottish Executive, work out the capital allowances as if you had bought or sold it on that date, using the market value at the time.

What are capital allowances and balancing charges?

This section tells you how to work out your capital allowances and balancing charges that go in boxes 9 and 7 of the *Scottish Parliament* pages. The examples on page MSPN 9 show you what to do.

Capital allowances are a deduction from your taxable income. They are an allowance for the depreciation of assets or equipment that you have to provide to carry out your duties as an MSP or Minister of the Scottish Executive. Capital allowances are included in box 9 in the *Scottish Parliament* pages of your tax return.

Balancing charges are an addition to your taxable income. They sometimes arise when you sell assets or equipment on which you previously claimed capital allowances, or if you stop using them for your official duties. Balancing charges are entered in box 7 in the *Scottish Parliament* pages.

Which expenses qualify?

Generally speaking, anything you use in your official duties that has a useful life of at least two years may qualify for an allowance. They must be things that are necessary in order to fulfil your duties. Typical examples are office equipment such as desks and filing cabinets.

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Assets and equipment are regarded as ‘necessary’ if you could not do your official duties without them. They must be things that each and every MSP and/or Minister of the Scottish Executive would have to provide.

But you cannot claim capital allowances for a car, motorcycle or cycle as the approved mileage allowance rates include an element for depreciation.

What types of capital allowances are there?

Three types of capital allowance are likely to be relevant to you:

- Annual Investment Allowance (AIA)
- writing down allowances
- small pools allowance.

(i) Annual Investment Allowance

You can claim AIA on any purchase of equipment (but not cars, motorcycles or cycles) made in 2010–11 up to the annual amount of £100,000.

Do not include any capital expenditure reimbursed to you by the Allowances Office under the Office Cost Provision. We will assume that you have claimed AIA against any amounts reimbursed for capital items because those items have not been included as taxable income in box 5 of the *Scottish Parliament* pages of your tax return. If you do not wish to claim the AIA, include the amount of Office Cost Provision paid for capital items in box 4 and explain the position in the ‘Any other information’ box, box 10 on page MSP 2.

Where (exceptionally) the total including any capital expenditure reimbursed by the Allowances Office is more than £100,000 then you can claim up to £100,000 of the total as AIA, the remainder being subject to writing down allowance which is explained below.

(ii) Writing down allowances

If the total of your purchases is more than £100,000, any excess is put into a ‘pool’ (the ‘main pool’). The pool is your total capital expenditure, after deducting your AIA, and after deducting from the pool any money that you may have received if you have sold any items bought in previous years. You might also have a pool of unrelieved expenditure carried forward from a previous year. If so, add this year’s expenditure, after deducting the AIA and any sale proceeds for this year, to that previous year’s pool figure, to obtain your new pool total.

Each year you can claim 20% of the net amount in your pool as a writing down allowance (WDA).

(iii) Small pools of less than £1,000

Where the balance of such a pool is £1,000 or less, you may claim the whole amount as a ‘small pools allowance’ (SPA).

Example 1

John has been an MSP for two years. For 2010–11 he spent £500 on necessary equipment which has not been reimbursed by the Allowances Office. He has a pool brought forward of £700 from 2009–10.

He can claim:

- the full £500 as Annual Investment Allowance, and
- the £700 pool brought forward as small pools allowance.

What if I became an MSP part way through the year?

If you have not been an MSP for a full year, or stopped being an MSP during the year, your AIA, WDA and SPA are reduced accordingly.

Example 2

Jane became a Member on 30 August 2010. This means that she was an MSP for 219 days of 2010-11. She can claim $\frac{219}{365}$ of the £100,000 Annual Investment Allowance or £60,000.

If you buy an asset or an item of equipment part way through the tax year and you have used your AIA, you are still entitled to the full 20% writing down allowance or small pools allowance but this should also be proportionately reduced.

What if I use an item partly for official duties?

If you use the item only partly for your official duties, the allowance you can claim is reduced in proportion to the amount of business use. For example, if a particular item was used three quarters of the time for official business and one quarter privately, you would claim three quarters of the available allowance. If there is any balance of expenditure after AIA you do not add it to the main pool but instead pool it separately in a single asset pool.

What if I stop using an item for work or stop being an MSP – balancing adjustments?

If during the year you stop using an item of equipment for your official duties or you stop being an MSP, you need to make various adjustments to the allowances you have claimed. These adjustments are from the date you stopped using the item for work or sold it.

Include in your calculations the sale proceeds (or market value if you did not sell them) of any capital items for which you previously received a reimbursement from the Allowances Office as Members Support Allowance and Support Fund or as Office Cost Provision.

There are two types of adjustment: balancing allowances and balancing charges.

(i) Balancing allowances

A balancing allowance may be due:

- for assets and equipment in the main pool if you ceased to be an MSP during the year
- for other asset(s) or item(s) of equipment in single asset pools if during the year
 - you ceased to be an MSP, or
 - you sold the item in question, or
 - you stopped using it for your official duties, but did not sell it.

In these cases, the balancing allowance due is:

- the balance of expenditure brought forward from the previous year (if any) minus
- the sale proceeds (or market value if you did not sell them) of the item(s) at the date of cessation, or when you stopped using them for your official duties. (If the asset was one that was used only partly for business use the sales proceeds taken into account should be adjusted to reflect only the business use of it.)

The amount should be included in your capital allowances claim in box 9 of the *Scottish Parliament* pages of your tax return.

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(ii) Balancing charge

If the disposal value of an item (or items) is greater than the value of the pools, then a balancing charge may be due. A 'balancing charge' is an addition to your taxable income and can arise:

- if you ceased to be an MSP in the year, or
- if an asset is sold, or
- if you stop using an item for your official duties, but do not sell it.

In these cases, the balancing charge is:

- the sale proceeds (or market value if you did not sell them) of the item(s) at the date of cessation, or when you stopped using them for your official duties minus
- the balance of expenditure brought forward from the previous year (if any).

The amount should be entered in box 7 of the *Scottish Parliament* pages of your tax return.

Example 3

Brian stopped being an MSP on 12 January 2011. He has a pool value brought forward of £300 for 2009-10. He disposes of his equipment for £100.

Period ended 12 January 2011

Value brought forward	£300
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Minus

Disposal proceeds	<u>£100</u>
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Balancing allowance	£200
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The end result is that there is a balancing allowance of £200 to go on the 2010-11 tax return.

Example 4

Judith stopped being an MSP on 30 September 2010. She has a pool value brought forward of £450 for 2009-10. She sells her equipment for £400 but keeps the computer and printer for her personal use. The computer and printer were worth £150 when she stopped being an MSP.

Period ended 30 September 2010

Value brought forward	£450
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Minus

Disposal proceeds	(£400 + £150)	<u>£550</u>
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Balancing charge	£100
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The end result is that there is a balancing charge of £100 to go on the 2010-11 tax return.

Calculating your tax bill

If you want to calculate your tax bill ask the SA Orderline for the *Tax calculation summary* pages and *notes* or go to www.hmrc.gov.uk

The Working Sheet in the *Tax calculation summary notes* does not have separate boxes for your Scottish Parliamentary income. You should include the amounts from your *Scottish Parliament* pages in the 'Employment' boxes on the *Tax calculation summary notes*, as follows:

<i>Scottish Parliament</i> pages	<i>Tax calculation summary notes</i>
Income (box 1)	enter this in section 1, box A1 (along with any other employment income you have).
Benefits (boxes 3 to 7)	add the amounts in boxes 3 to 7 together and enter the total amount in section 1, box A5 (along with the total of any other employment benefits you have).
Expenses (boxes 8 and 9)	add the amounts in boxes 8 and 9 together and include the total amount in section 1, box A6 (along with the total of any other employment expenses you have).
Tax taken off (box 2)	include this in the total figure in section 10, box A224 (along with the total of any other tax taken off any employment income).

These notes are for guidance only and reflect the position at the time of writing. They do not affect any rights of appeal. Any subsequent amendments to these notes can be found at www.hmrc.gov.uk