

Current Income: Self Employed

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Introduction

HMRC Historic Income figure

A maintenance calculation will normally be based on a historic income figure supplied by HMRC. For a self-employed person this will be the gross profits from self-employed as determined by HMRC legislation. The historic figure supplied by HMRC will be the most recent figure they hold but that figure can be up to six tax years old

There may be circumstances when it is necessary to consider current income.

Current Self-employed Income

The non-resident parent's current income from self-employment is to be determined by reference to the profits of any trade, profession or vocation carried on by the non-resident parent at the effective date of the relevant calculation decision.

Where the non-resident parent has indicated they have self-employed earnings it may be necessary to consider their current income from self-employment in a range of different scenarios these include:

- CMG is unable for whatever reason, to request or obtain the required information from HMRC;
- The non-resident parent request current income and has documentation covering a tax year or annual accounting period which is later than the HMRC data obtained and shows a difference of 25%;
- The non-resident parent is newly self-employed;
- The non-resident parent has ceased trading.

The process you will need to follow will depend on:

- if CMG was **not** able to obtain a return (NA return) from HMRC;
- if a figure has been supplied by HMRC, the period that figure covers;
- whether the non-resident parent provides suitable evidence of their current income for a later period; and
- if that evidence shows that the non-resident parent's Current Income is at least 25% different to the figure already being used in the Maintenance Calculation/Provisional calculation. NOTE: for these purposes you are checking the actual Historic / Current Income figure recorded on the system, before any adjustments for variations and / or relevant other children;
- if the non-resident parent is newly self-employed;
- if the non-resident parent has ceased trading.

An important factor when considering current self-employed income is identifying the relevant period.

NOTE: If the MC is based on current (self-employed) income there is no duty on the non-resident parent to report a 25% increase in their income.

Self-employed income is based upon income on an annual basis, this enables trading variances to be considered that occur during the year. For example the non-resident parent may have had significant trading profits first half of the year which may not be replicated for the second half of the year.

See below for the relevant link which details the changes that self-employed non-resident parents are required to report.

The following links provide guidance on the action you will need to consider in considering Current Income :

- what is current self-employed income : the relevant period
- how to identify if the non-resident parent has been trading for a relevant period
- evidence of current income:
 1. self-employed non-resident parents who have reported their profits to HMRC
 2. newly self-employed non-resident parents who have not yet reported profits to HMRC
- pre-calculation: non-resident parent requests current (self-employed) income
- pre/Post Calculation: The Child Maintenance Service initiates current (self-employed) income (covers when the HMRC figure is unavailable)
- post calculation: non-resident parent requests current (self-employed) income
- changes to current (self-employed) income non-resident parents are required to report
- post calculation: parent with care requests current (self-employed) income
- non-resident parent states business has ceased trading

The following topics provide guidance on how to identify the current (self-employed) income figure and deductions:

- Current (self-employed) income: identifying the annual taxable profits figure
- Income from occupational or personal pensions
- Deductions from current income

- Calculating the non-resident parent's gross weekly income figure

The following topics should also be considered when appropriate:

- Income tolerance (see below)
- [Estimating current income](#)
- [Default Maintenance Decisions \(DMDs\)](#)

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[What is Current self-employed income: The relevant Period](#)

2012/2677 Regulation 39(4) of the Child Support Maintenance Calculations Regulations 2012

The relevant Period

Child support law requires current self-employed income to be calculated by reference to a set period. This is called the relevant period and is defined as being the most recent tax year or such other period in respect of which the non-resident parent should, in the normal course of events, report their self-employed trading profits to HMRC in a self-assessment return. This is normally a tax year or the end of the annual accounting period if the non-resident parent keeps business accounts.

In some cases a non-resident parent may not have been trading for a sufficient period to meet this requirement. In practice this will be those non-resident parents who have not yet been required to submit a self-assessment return declaring their self-employed trading income to HMRC. For these non-resident parent's there is a different definition of current self-employed income which requires the non-resident parent to provide an estimate of his gross profits for the current tax year.

Therefore it is necessary to determine if the non-resident parent has submitted a tax return to HMRC or has not yet been required to submit a tax return to HMRC. You will therefore need to ask the non-resident parent:

- When they commenced this self-employment;
- have they registered with HMRC as self-employed (a person is required to register with HMRC as self-employed within 3 months of starting their business. When a person registers, HMRC will send them a ten-digit tax reference, called a Unique Taxpayer Reference);

- what was the tax year covered by the last self-assessment return the non-resident parent sent to HMRC;
- when did they submit their last self-assessment return for this business to HMRC.

If the non-resident parent has been trading for such a period that required them to report their profits to HMRC see page: Evidence of current income: self-employed non-resident parent who have reported profits to HMRC.

Remember: a self-employed person must complete a Self Assessment Tax Return for any tax year during which they were self-employed. A tax return needs to be completed even if they were only self-employed for part of the year. This means that in some circumstances a relevant period may not be for a full 12 months. In such cases the weekly amount is calculated by dividing the amount of those profits by the number of weeks in the relevant period see page Calculating the non-resident parent's gross weekly income figure.

If the non-resident parent has not yet been trading long enough to report their profits to HMRC or does not have a set of annual accounts which show a taxable profit figure. Refer to Evidence of Current Income: [Newly self-employed, profits not yet reported to HMRC, for further guidance.](#)

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[How to identify if the non-resident parent has been trading for the relevant period](#)

Non-resident parent trading for the relevant period

Non-resident parent trading for the relevant period will be someone who has been trading for such a period that requires them to report their profits to HMRC. This is usually either a tax year or an annual accounting period. When a person first registers as self-employed with HMRC they will receive a letter, usually in April or May, telling them when they need to send their first return.

A tax year runs from 6th April to the 5th April the following year. Self-assessment returns (SARs) need to be submitted to HMRC by 31st October following the end of the tax year if they are in a paper format or 31st January following the end of the tax year if they are completed online.

You need to establish with the non-resident parent if they have been asked to report their profits to HMRC. This is done by completing a self-assessment return (SAR).

NOTE: Business Accounts

The only legal requirement for self-employed people is that they keep records or evidence sufficient to support the figures given on a SAR. There is no legal requirement to make up formal accounts. Most self-employed people choose not to keep them. Where a non-resident parent keeps annual accounts they must report their profits for the tax year in which their accounts end. For example accounting year is 1st August to 31st July you must report your profit for accounting year end July 2013 for the tax year 2013/14.

If you use a SAR the relevant period will be the most recently completed SAR.

Refer to Evidence of Current Income: [self-employed non-resident parents who have reported taxable profits to HMRC](#)

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[Evidence of Current Income: self-employed non-resident parents who have reported taxable profits to HMRC](#)

2012/2677 Regulation 39(2) of the Child Support Maintenance Calculations Regulations 2012

Taxable Profits

Gross weekly income for non-resident parents who are self-employed is determined from their taxable profits for the most recently completed relevant period (Tax Credits are not included as they are not a taxable income). Taxable profits are determined in accordance with HMRC legislation and will be reduced to take account of business expenses and suitable allowances for losses, depreciation etc. in accordance with HMRC law. It will not be for caseworkers to calculate the taxable profit figure but it will be necessary for the non-resident parent to supply suitable evidence of their taxable profits as set out in the requirements below.

The evidence provided must be a completed SAR:

- for the last complete relevant period and
- show the non-resident parent's taxable profits figure for a relevant period later than the one being used for the current MC.

If you have the last years HMRC figure and there is no later SAR or annual accounts then the non-resident parent will not be able to move to current income and a refusal to supersede decision should be issued. Any fluctuations during the current relevant period will normally be reflected in the next tax year's SAR and can only be considered for the purposes of the MC when they have been submitted to HMRC.

NOTE: These rules allow a more accurate comparison of current gross weekly income with historic taxable profits so that the 25% tolerance test can be applied more fairly. In addition, it reflects the reality that profits are not usually earned evenly throughout the year. This is why short term changes in business activity are not accepted as evidence of current income. For this reason self-employed non-resident parents are not required by law to report a 25% increase in their self-employed earnings.

Self-Assessment Returns and Self-employed Accounts

Self-Assessment Return

CMG's preferred evidence will be a completed SAR (this can be hand-written) for the most recently completed relevant period. This will need to be for a later period than the one currently used in the MC. So it will need to be an SAR which has either:

- been completed but not yet submitted to HMRC; or
- has been submitted to HMRC but not yet processed by them at the time the Historic Income figure is obtained.

Refer to the section on Calculating Current Income for advice on how to identify the correct income figure from a HMRC self assessment return.

A tax year runs from 6th April to the 5th April the following year. Self-assessment returns (SARs) need to be submitted to HMRC by 31st October following the end of the tax year if they are in a paper format or 31st January following the end of the tax year if they are completed online.

Example

Today is 06/09/2013. The non-resident parent has requested to go onto current income. His self-employed business has been operating for the last 5 years. He submits his tax returns online.

HMRC have supplied the figure for the tax year 2011/12. This will be based on a self-assessment tax return that would have needed to be with HMRC by 31 January 2013. This is the tax year to which the income figure given by HMRC relates and therefore is the most recent relevant period.

Therefore the only evidence that could be considered would be where the NRP has completed a self-assessment tax return for a period later than the one supplied by HMRC – for the 2012/13 tax year. (Although the non-resident parent is not required to complete his next tax return for 2012/13 until 31/01/2014 at the latest if he has submitted it before this date and has evidence to support that we can consider that SAR).

If there is no such evidence then we hold the information for the last complete relevant period and the non-resident parent cannot move onto current income.

Example

Today is 15/03/2014. The non-resident parent has requested to go onto current income. His self-employed business has been operating for the last 5 years. He submits his tax returns online. His current figure is based on the HMRC figure for 2011/12 tax year.

He supplies a copy of his last self-assessment return which was submitted in January 2014 for the tax year 2012/13. This evidence can be used to consider if the current income figure is 25% different to the historic figure. The effective date of the change will be 15/03/2014.

Self Employed Accounts

A person who is self employment can choose what accounting period to use and some self-employed non-resident parents may not have a 5 April year end for their accounts. If a self-employed person does not have a 5 April year end then the general rule is that you pay tax on your profits during the twelve months ending on your accounting period end date arising in that tax year. For example, if your year end is 31 December 2012 then your taxable self employment income for the 2012/13 tax year is your taxable profit arising during the year ending 31 December 2012. Self-employed people who do not have a 5 April year end still need to report their profits to HMRC in the normal way on a SAR and HMRC calculate the profits for the relevant tax years. We should request a copy of their latest SAR (this can be hand-written) and this must cover the most recently completed relevant period.

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[Evidence of Current Income: Newly self-employed non-resident parents, profits not yet reported to HMRC](#)

[2012/2677 Regulation 39\(2\) of the Child Support Maintenance Calculations Regulations 2012](#)

Self-employed Recently Commenced

The normal evidence requirements will not be appropriate in cases where a non-resident parent has only commenced self-employment recently and has not completed a relevant period.

In these circumstances, the legislation requires the non-resident parent to provide their estimated / projected taxable profit up to the end of the current relevant period. This means the estimated profits of the business to the end of the current tax year

or, if the non-resident parent is operating annual accounts, which end on a different date from 5th April, estimated profits to the end of the current annual accounting period.

The non-resident parent will need to advise you of the number of weeks until the end of his relevant period (ie. Does his period end on 5th April, if not on what date does his annual accounting period end.)

This estimate will then be used, where appropriate, to consider if the 25% tolerance has been breached.

You should ask the non-resident parent to provide you with one of the following, to identify their projected / estimated taxable profit figure:

- any profit and loss accounts they have retained to date which shows a profit figure for a set period;
- any business plans they have provided to a bank / building society/public body etc to secure business loans or grants for their self-employment;
- a statement of projection (for example a cash flow forecast) of their taxable profits for the current tax year from a certified accountant.

Example

Today is 15/07/2013, a historic figure has been supplied by HMRC. The non-resident parent reports that he has just started self-employment and requests that we consider current income because he believes his current income is 25% different to the figure supplied by HMRC.

Upon request he has provided the information

- that he will not keep formal accounts; and
- will operate annual accounts in accordance with HMRC tax years with a year end of 5th April.

In this circumstance the non-resident parent must be asked to supply evidence of his projected profits up until 05/04/14. (The latest he will have to supply an actual return for this self-employment to HMRC would 31/01/2015.)

The estimation of projected profits provided by the non-resident parent will then be used to establish if the 25% tolerance has been breached against the historic figure supplied by HMRC.

NOTE: In the above circumstances, you will be looking at a forecast of the likely current income figure. This is not the same process as when we estimate income where the non-resident parent has not provided any / sufficient evidence of their income. In this situation, you are accepting that the non-resident parent has provided

the best available evidence to reflect their actual income, which at this stage, can only be estimated because the non-resident parent has not been self-employed long enough for a full relevant period to have been completed and therefore a definite taxable profits figure to be identified. If we use the estimate the non-resident parent provides this is his current income figure.

Because this results in an actual current income figure, if the non-resident parent later reports another figure (for example one based on a self-assessment return) the 25% income tolerance rule will apply (and the new evidence will be compared against the non-resident parent's estimate).

If the evidence submitted estimates that the business will make a loss in the first relevant period the current income figure for self-employment will be nil. Any estimated loss is not offset against other current income they may have.

Remember: If the non-resident parent is requesting Current Income then it is up to them to provide the relevant evidence to show that their Current Income is at least 25% different from the existing figure used/obtained from HMRC. For a newly self-employed non-resident parent you should only accept evidence that includes a projected profit figure and not evidence that requires you to calculate this, such as receipts, invoices etc. This has to be the non-resident parent's estimate of his profits for the relevant period and not the decision maker's.

NOTE : It is unlikely that the non-resident's estimate will correspond exactly to the taxable profits figure that they would set out on a self-assessment return or annual accounts. This is because the latter involve decisions (for example on depreciation or the amount of bad debts) that are often only made at the end of the accounting period. This does not make the earlier estimate figure wrong so long as it was based on the evidence or information supplied by the non-resident parent at the time the original decision was made.

Non-resident parent fails to provide evidence of new self-employment

If the non-resident parent fails to provide sufficient evidence or information to support his estimate of current self-employed income and there is a historic figure then the historic figure will continue to be used for the purposes of the MC.

Where there is no historic income, the Decision Maker should consider making an estimate of current income using the estimation of earnings tool (EET). If there is insufficient information available for the decision-maker to estimate current earnings because the non-resident parent's occupation is not known then a DMD should be considered.

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Non-resident parent has ceased self-employment

Non-resident Parent has Ceased Trading

If a non-resident parent requests current income on the basis that their business has ceased trading then they will need to provide sufficient evidence to confirm this. If the non-resident parent provides suitable evidence that they have ceased trading at the effective date of the relevant calculation then the profits from that business will be taken as nil for the purposes of calculating current (self-employed) income.

NOTE: Income from this business may be included in the historic figure and the current income figure will still need to breach the historic figure by 25% tolerance.

Acceptable evidence for these purposes would include:

- a bankruptcy or insolvency notice in respect of the non-resident parent or their business;
- evidence that the business has been sold;
- evidence from HMRC that the business has ceased e.g. confirmation of cancelled VAT registration or that the non-resident parent is no longer liable to pay self-employment National Insurance contributions; or
- documentary evidence from banks / building societies or solicitors.

This list is not exhaustive.

We would not accept that a business has ceased trading and that the non-resident parent's income from this business is nil where any evidence provided indicates that there is solely a temporary interruption in trading: e.g. the business is seasonal, and it is the off-season, or the business has no current contracts, but the non-resident parent continues to advertise for work, the non-resident parent is sick but intends to resume that business when he is well again.

In these circumstances, it should be explained to the non-resident parent that the income taken into account for child maintenance purposes is based on a full year, and that includes a current income calculation. The annual review will take into account any periods where the business does not generate any revenue and profits have decreased.

In some instances a person maybe entitled to a prescribed benefit when they have not actually ceased trading. In these circumstances when they commence trading again the MC will be based on the historic figure. If the NRP wishes to move to current income see guidance on [Post Calculation: non-resident parent request current \(self-employed\) income](#)

Evidence confirms self-employment has ceased

If the evidence provided confirms that the business has ceased trading, you can accept that their income from this business is nil.

However, you will still need to establish the non-resident parent's income position. You should confirm whether they are receiving any prescribed benefits. If so, the flat rate will apply. If not, you should ask the non-resident parent to confirm their current situation and whether they have any Current Income. Refer to the guidance Pre/Post Calculation: Child Maintenance Service initiates Current Income.

NOTE:

- Do not assume that because their income from a business is nil, their overall Current Income is also nil. The business may have provided only a part of the non-resident parent's income. They could also have started another job as an employee or another self-employed business.
- If the non-resident parent reports an overall Current Income figure that does not breach tolerance (i.e. that is not at least 25% different to the existing income figure), the calculation will not be superseded, even though their income from one source has ceased.

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[Pre-calculation: non-resident parent requests Current \(self-employed\) Income](#)

2012/2677 Regulation 39, 40 & 42 of the Child Support Maintenance Calculations Regulations 2012

2012/427 Regulation 41 Child Support Maintenance Calculation Regulations (Northern Ireland) 2012

Non-Resident Parent Requests Current (Self-Employed) Income

This applies where HMRC have provided a historic income figure but the non-resident parent has requested that we consider a current self-employed income calculation.

Where there has been an application from a parent with care or child in Scotland and HMRC have provided a Historic Income figure, the non-resident parent will be sent a Provisional Calculation before the full maintenance calculation is completed. The Provisional Calculation is an informal notification that doesn't carry appeal rights. It tells the non-resident parent what their maintenance liability will be for the following year if it's based on Historic Income obtained from HMRC, subject to any additional relevant information (for example about relevant other children) that the non-resident parent may provide. It also provides them with the opportunity to tell us if their Current Income is at least 25% different to the Historic Income figure.

If a non-resident parent asks for Current Income based on self-employment the first thing to be established in these circumstances is:

- if the self-employment is continuing – so the non-resident parent is still operating the same business;
- if the non-resident parent is newly self-employed;
- if the self-employment has ceased.

Self-employment continuing

Consider if the figure supplied by HMRC is for the last complete tax year (for example, 2011/12 will be the last complete tax year until a new SAR is submitted to HMRC (the latest a SAR will need to be submitted is 21/01/2014 when the profits for the tax year 2012/13 need to have been submitted to HMRC.))

If HMRC have supplied the last complete tax year then it may not be possible for a current income calculation unless there is a completed SAR for the most recently completed tax year.

If the non-resident parent does not have a more recent SAR then a refusal to supersede should be issued because the non-resident parent cannot show that their current taxable profits for the relevant period are 25% different to the figure supplied by HMRC.

If HMRC have supplied a figure which is older than the last complete tax year then the non-resident parent can be considered for current income if there is a completed SAR for the most recently completed tax year.

Refer to Evidence of Current Income: self-employed non-resident parents who have reported profits to HMRC.

Non-resident parent is newly self-employed

If the non-resident parent requests current income and declares that his current income includes income from a new business and a SAR has not yet been completed for that business, the non-resident parent will need to provide an estimate of his profits for the current tax year. This will be his current income figure for self-employment. This figure will be used to determine if the Current Income provided is at least 25% different to the figure supplied by HMRC. Refer to the section on Income Tolerance for further advice.

See Evidence of Current Income: [newly self-employed non-resident parents, profits not yet reported to HMRC](#)

Self-employed has ceased

If the HMRC figure relates to self-employed which the non-resident parent has successfully verified has ceased then his income from that business will be nil. It will be necessary for the non-resident parent to provide details of how he is currently supporting himself. If he is not receiving a prescribed benefit which would result in a flat rate liability and he is:

- an employed earner, you will need to establish if his current employed earnings are at least 25% different from the HMRC figure;
- started a new business, you will need to consider if the estimate of his profits from the current tax year are at least 25% different to the income figure supplied by HMRC;
- is being supported by relatives/friends then the MC will be nil;
- is supporting themselves from savings, or income that is not included in gross taxable weekly income, then the MC will be nil.

Refer to Non-resident parent has ceased self-employment

Non-resident parent fails to provide evidence of Current Income

Non-resident parents should be allowed fourteen days to provide evidence of their Current Income. Due to the complex nature of self-employed this period can be extended if you are satisfied the non-resident parent is co-operating.

If they fail to supply evidence within the 14 days period or such longer period as allowed, the MC will be based on the historic income figure provided by HMRC.

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[Pre/Post Calculation: The Child Maintenance Service initiates Current \(self-employed\) Income](#)

2012/2677 Regulation 34 of the Child Support Maintenance Calculations Regulations 2012

CMG Initiates Current (self-employed) Income

The Child Maintenance Group will initiate consideration of Current Income if:

- HMRC have no Historic Income details; or
- HMRC have been unable to accept or answer a request for a historic income figure.

Note, this will be because either:

- a major IT failure means that the IT interface to request and supply historic income information is not available; or
- an individual case cannot be operated on the system because certain case details are not available - and case is being handled under procedures for 'exceptional case'; and
- the non-resident parent is not receiving a prescribed benefit which would result in a flat rate liability.

If there is no historic income figure and the non-resident parent is self-employed they should be asked to supply evidence of their gross taxable profits figure for the most recent relevant period. In practice this will be:

- a SAR for the last completed tax year; or
- if they are newly self-employed an estimate of their annual taxable profits (refer to guidance on [Evidence of Current Income: newly self-employed non-resident has not yet reported profits to HMRC](#)).

Non-resident parent returns to the same self-employment after a period of benefit entitlement

If the non-resident parent has ceased benefit and returned to the same business the first step would normally be to apply the HMRC historic figure used before the start of benefit payments for the purposes of the MC. If there is no HMRC historic figure, you should ask the non-resident parent for details of current income from self-employment.

Non-resident parent starts new self-employment after a period of benefit entitlement

If there is a historic HMRC figure this will be used to complete the MC but if the non-resident parent has ceased benefit, started new self-employment and there is no historic figure you should ask the non-resident parent to provide an estimate of his profits for the current relevant period.

Refer to Evidence of Current Income: [newly self-employed non-resident parents, profits not yet reported to HMRC](#)

No historic income: Non-resident parent fails to provide evidence of Current Income

Non-resident parents should be allowed fourteen days to provide evidence of their Current Income. If they fail to do so within this period, and have not provided reasons why additional time is needed, you should consider the following actions in the order provided.

Contact the non-resident parent's accountant (if known)

If you have details of the non-resident parent's accountant, you should contact them directly to request details of the non-resident parent's Current Income, requesting a copy of the gross taxable profits figure for the most recently completed relevant period.

- If the non-resident parent's accountant's details are not known, you should consider whether it is possible to estimate the non-resident parent's Current Income from self-employment.

Consider estimating the non-resident parent's Current Income

Refer to the guidance on [Estimating Current Income](#) for further advice.

Consider imposing a Default Maintenance Decision

[1991/48](#) Section 12 of the Child Support Act 1991

[2012/2677](#) Regulation 49 of Child Support (Maintenance Calculation) Regulations 2012

[2012/2628](#) Child Support (Northern Ireland) Order 1991, Para 10(2), Schedule 1

[2012/427](#) Regulation 41 of the Child Support Maintenance Calculation Regulations (Northern Ireland) 2012

A Default Maintenance Decision (DMD) should be imposed where:

- HMRC hold no income information for the non-resident parent for the last 6 years;
- the non-resident parent is not in receipt of prescribed benefits;
- the non-resident parent has failed to provide evidence of their Current Income; and
- it has not been possible to obtain Current Income from any other source; and
- it is not possible for Current Income to be estimated (for example, the NRPs occupation is not known).

Refer to the guidance on Default Maintenance Decisions

If a DMD is imposed, you should also consider whether a referral to Criminal Compliance is appropriate.

Refer to the guidance on Criminal Compliance for further advice.

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Post Calculation: non-resident parent requests Current (self-employed) Income

2012/2677 Regulation 39, 40 & 42 of the Child Support Maintenance Calculations Regulations 2012

Post Calculation: non-resident parent requests Current (self-employed) Income

A non-resident parent may ask for Current Income to be considered after the MC has been completed on the basis their income has changed by at least 25%. This may apply whether the existing Maintenance Calculation is based on Historic OR Current income. The non-resident parent's request should normally be treated as an application for supersession of the Maintenance Calculation unless it is made within 30 days of the notification of the maintenance calculation in which case it will be an application for a revision. Refer to the section on Revision/Supersessions as appropriate for further information about this process.

Remember if the non-resident parent is continuing to operate the same business then he will need evidence of a completed SAR for the most recently completed relevant period and this must be later than the one used for the current MC.

Non-resident parent does not have more up to date evidence

If the non-resident parent does not have evidence of current income for a more recent relevant period than what is currently been used to complete the MC then a refusal to supersede would be issued because the non-resident parent does not satisfy the legal requirements to move onto current income.

The non-resident parent can be advised that we can consider current income once he has provided a copy of the next SAR he submitted to HMRC which shows a profits figure that is at least 25% different to the income figure used in the current MC. He could also be reminded that the income figure will be reviewed each year and as part of that review we will have regard to the most recent taxable profits held by HMRC.

Non-resident parent has more recent evidence

If the non-resident parent is able to provide a SAR for a more recent relevant period than the one used to complete the MC you will need to check the current income is at least 25% different to the figure used in the current MC.

Refer to the guidance on Income Tolerance for further advice on completing this check.

NOTE: You should apply the 25% comparison once any pension contributions have been deducted from the gross weekly income figure.

- If the non-resident parent's Current Income is at least 25% different to the figure being used, you should complete a supersession decision, using the

new income figure. The effective date of the supersession will be the date the non-resident parent requested the supersession.

- If not, you should refuse to supersede the MC and issue notification to all relevant parties to confirming this.

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Changes self-employed non-resident parent are required to report

If the existing calculation is based on historic income, the non-resident parent is not required to report any change in their income from self-employment.

If the existing calculation is based on current income and the liability is not the nil rate, the non-resident parent is not required to report any change in their current income from self-employment.

If the existing calculation is based on current income and the liability is the nil rate, the non-resident parent is required to report any change in their current income, which would lead to the nil rate no longer applying i.e. if their gross weekly income increases to £7 or more. The non-resident parent should report this within 14 days of the change occurring. In this situation, the effective date will be the date the NRP submits a SAR to HMRC as that will be the date of the change (see NOTE below).

NOTE: Because current income from self-employment consists of taxable profits, the date of the change will operate in a different way from earnings from employment. The profits will only be determined once a SAR or accounts have been completed and submitted to HMRC.

The following effective dates should apply:

- if you know the date the SAR was submitted to HMRC this will be the effective date;
- if you do not know the date the SAR was submitted to HMRC the effective date will be the 31 January following the tax year to which the return relates. This corresponds to the date by which the return should have been submitted to HMRC.

NOTE: If the non-resident parent has a nil rate liability for other reasons (for example they are a child or a prisoner) there is no obligation on them to report an increase in current income.

Example

In year 1 the business operated at a loss and therefore the MC was nil. The business year end date is 05/04/2014. In year 2 the business started to make a profit in

September 2014. The non-resident parent reports that his business is now operating in profit and he anticipates that the business will be in profit at the end of the relevant period ie 05/04/2015 That profit will need to be reported to HMRC (for the tax year ending 5 April 2015) by 31/01/2016 and this is the date the NRP submits his SAR. The effective date of the change will therefore be 31/01/2016. If the non-resident parent did not report this change until after 31/01/2016 the effective date of the supersession would still be 31/01/2016 because this is a current income change the non-resident parent is required to report . Maintenance Calculation Regulation 18(4) refers

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Post Calculation: Parent with care requests Current (self-employed) Income

Parent with care requests Current (self-employment) Income

A parent with care may ask for Current Income to be considered after the Maintenance Calculation has been completed if they believe the non-resident parent's income has changed or is 25% different from that used in the MC.

Parents with care are unlikely to have full evidence of changes to a non-resident parent's income. However, you should not ask the non-resident parent for evidence of their Current Income unless the parent with care provides reasonable grounds to support their case. It would be unfair to non-resident parents and impose an undue administrative burden on the Child Maintenance Group if we investigated Current Income details solely on the basis of speculative assertions.

Remember

If the non-resident parent is self-employed then we can only consider current income if there is available information of the non-resident parents taxable annual profit for the most recently completed relevant period and that period is later than that being used in the current MC. You may have to remind the parent with care that current income from self-employment is not the money the business receives or what the non-resident parent is drawing from it, but the business's taxable profits as reported to HMRC. A change either upward or downward, during the current tax/accounting year may be reflected at the end of the relevant period and we cannot take account of changes until a relevant period has been completed.

The parent with care can be advised that we can consider current income once there is available a copy of the next self-assessment return the non-resident parents submitted to HMRC. The parent with care could also be reminded that the income figure will be reviewed each year and as part of that review we will have regard to the most recent taxable profits held by HMRC. This will take account of all fluctuations in the business during the period.

Therefore the parent with care will need to demonstrate that they have reasonable grounds to show that:

- the changes is likely to be at least 25%; and
- there will be evidence that relates to a more recent relevant period. (Note the parent with care does not need the evidence but the caseworker/DM will need to be satisfied that the non-resident parent will have evidence available from a later relevant period.)

What are not reasonable grounds

The following would not be reasonable grounds UNLESS a more recent relevant period had been completed because they will be reflected in the next relevant period's taxable profits figure:

- the non-resident parent has won a new long-term lucrative contract;
- non-resident parent has increased his working hours.

Parent with care does not have reasonable grounds

If the parent with care does not have reasonable grounds, you should:

- refuse to accept their application for revision if they are challenging the MC in force; or
- refuse their application for supersession if their application was on the basis that the non-resident parents income had changed since the MC in force.

NOTE: This is not a refusal to supersede decision and does not carry appeal rights. The applicant has simply made an unsuccessful application for supersession due to insufficient information. In these situations the non-resident parent does not need to be notified of this decision. A refusal to supersede decision is only issued in situations where such an application is accepted and investigated but found to not meet the relevant criteria, i.e. the 25% tolerance threshold is not met. The non-resident parent should be notified in these circumstances.

Parent with care does have reasonable grounds

If you accept that the parent with care has reasonable grounds and there could/will be evidence of a more recent relevant period, which would indicate that the non-resident parent's income is at least 25% different to the figure used in the Maintenance Calculation, you should:

Request evidence of Current Income

You should request from the non-resident parent a completed SAR for a more recent relevant period than the one used for the current MC.

Is current income at least 25% different from the income figure used?

Refer to the guidance on Income Tolerance for further advice on completing this check.

NOTE: You should apply the 25% comparison once any pension contributions have been deducted from the gross weekly income figure.

- If the non-resident parent's Current Income is at least 25% different to the figure being used, you should complete a supersession decision, using the new income figure. The effective date of the supersession will be the date the change was reported.
- If not, you should refuse to supersede the Maintenance Calculation. A notification will be issued to all relevant parties to confirm this.

Parent with care request: non-resident parent fails to respond

If the non-resident parent fails to respond to a request for Current Income information in these circumstances, then you should consider the following options in the order that they are set out below:

Contact the non-resident parent's accountant (if known)

If contact details for the non-resident parent's accountant are held, you should contact them directly to request details of the non-resident parent's gross taxable profits for the current relevant period.

If the non-resident parent's accountant details are not known and you are unable to trace them you should consider whether it is possible to estimate the non-resident parent's Current Income.

Refer to the guidance on [Estimating current income](#) for further advice.

Consider imposing a Default Maintenance Decision

[1991/48](#) Section 12 of the Child Support Act 1991

[2012/2677](#) Regulation 49 of the Child Support (Maintenance Calculation) Regulations 2012

[2012/2628](#) Child Support (Northern Ireland) Order 1991, Para 10(2), Schedule 1

[2012/427](#) Regulation 41 of the Child Support Maintenance Calculation Regulations (Northern Ireland) 2012

A Default Maintenance Decision (DMD) should be imposed where:

- HMRC hold no income information for the non-resident parent for the last 6 years; (If a HMRC figure is held this would be used in preference to a DMD and we would refuse to supersede the parent with care's request.)
- the non-resident parent is not in receipt of prescribed benefits;
- the non-resident parent has failed to provide evidence of their Current Income; and
- it has not been possible to obtain Current Income from any other source; and
- it is not possible for Current Income to be estimated.

Refer to the guidance on Default Maintenance Decisions

If a DMD is imposed, you should also consider whether a referral to Criminal Compliance is appropriate.

Refer to the guidance on Criminal Compliance for further advice.

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[Current Income self-employed: identifying the annual taxable profits figure](#)

Identifying The Annual Taxable Profits Figure

The types of income taken into account as Current Income should mirror the types of income used for Historic Income as far as possible, to make the 25% comparison meaningful. This means that Current Income should be based on the most recent total taxable profits for the relevant period from self-employment.

Taxable profits are the result of applying allowable business expenses to the gross receipts of a business, and after allowing other offsets: for example: for capital allowances and loss relief. However, caseworkers should not have to perform these calculations. The non-resident parent should be asked to submit a completed SAR for the most recently completed tax year, this must be for a period later than the one used for the current MC.

Identifying Current Income (the Taxable Profit figure) from a Self-Assessment Return

Non-resident parents who are self-employed are always required to complete a self-assessment return. The return will apply to the accounting period of the business which ends in the tax year in question. For example: a non-resident parent whose business accounting period runs from 1 January – 31 December 2011 will include taxable profits for that period in their return for the 2011/12 tax year. This return would have to be with HMRC by 31 January 2013 at the latest .

The return will show the receipts of the business and all the expenses incurred in running that business in the relevant period, and which are allowed by HMRC. The return will give the taxable profits resulting from deducting those expenses from receipts. If the business has made a loss, the taxpayer should enter a “nil” amount for taxable profits.

Types of self-assessment return

There are two ways upon which a non-resident parent can provide self-employed information to HMRC:

- via the HMRC self-assessment on-line service or
- by posting the relevant forms to HMRC.

90% of people use the on-line service.

Client elects to use the Self-assessment on-line service

When a client uses the self-assessment on-line service, they are given a ‘view your calculation’ summary at the end of the process. This summary provides details of their overall self-assessment calculation and any tax liability that may be due.

Self-employed clients can elect to print the ‘view calculation summary’ or alternatively can request HMRC to provide a copy. They can also elect to print out a full copy of their on-line self-assessment return. If these print-outs have been received by HMRC they will show a status of “submitted” in the top right hand corner of the page.

Only print-outs of the summary or self-assessment return for the last completed tax year that have their status as **submitted** can be used to determine the gross profits for the purposes of current self-employed income.

The correct level of self-employed earnings to take into account, is the ‘Profit from self-employment’ figure shown on the ‘View your calculation summary’.

What is SA302 (Tax Notice)


The SA302 is a summary of the income that has been reported to HMRC. It documents exactly how much income the non resident parent has declared.

The SA302 is issued by HMRC when a person files a paper tax return.

Note: If the non resident parent has filed their return online they will not receive a SA302 form. However, if the non resident parent contacts HMRC and asks for a tax statement they will be sent a SA302.

SA302: this is a tax notice

Use the Profit from self-employment figure



Ref :
 Year : 2016
 OUD :
 Name :

Tax Calculation for 2015-16 (year ended 5 April 2016)

Income received (before tax taken off)			
Profit from self-employment	£		
UK pensions and state benefits	£		
Total income received		£	
<i>minus</i> Personal Allowance		£	10,600.00
Total income on which tax is due		£	
How I have worked out your Income Tax			
	Pay, pensions, profit etc	£	x 20% = £
Total income on which tax has been charged	£		
Income Tax charged		£	
<i>plus</i>	Class 4 National Insurance contributions	£	x 9% = £
<i>plus</i>	Class 2 National Insurance contributions	£	
	Total Class 2 and Class 4 National Insurance contributions due		£
	Income Tax, Class 2 and Class 4 National Insurance contributions due		£
<i>minus</i>	Tax deducted		
	CIS and trading income	£	
	Total tax deducted		£
	Income Tax, Class 2 and Class 4 National Insurance contributions due		£

Client elects to provide self-assessment paper forms

There are four different types of tax return that a self-employed non-resident parent may submit as evidence of their gross taxable profits namely:

- SA103F - self-employment (full) which you are required to complete if you are self-employed, have more complex tax affairs and your annual business turnover was £77,000 or more
- SA103S - self-employed (short) if you are self-employed, have relatively simple tax affairs and your annual business turnover was below £77,000
- SA104F - self-employed (Partnership) full which you are required to complete if you do not qualify to use the SA104S

- SA104S - self-employed (Partnership) short which you are required to complete if you are a member of a partnership and you are only declaring trading income, and interest or alternative finance receipts received after tax was deducted from banks or building societies.

NOTE: we will use the incomplete tax-returns returns so long as they have been accepted by HMRC.

The following allow you to view examples of these forms, and the boxes that you will need to use to obtain the non-resident parent’s gross taxable profits figure.

Form SA103F: this is a full self-assessment return

Full form example

2017

HM Revenue & Customs **Self-employment (full)**
Tax year 6 April 2010 to 5 April 2011

Read page SPPN 1 of the notes to check if you should use this page or the Self-employment (short) page.

Your name: []
Your Unique Taxpayer Reference (UTR): []

Business details

1 Business name - unless it is in your own name []
2 Description of business []
3 First line of your business address - unless you omit from form []
4 Postcode of your business address []

5 If the details in boxes 1, 2, 3 or 4 have changed in the last 12 months, put 'X' in the box and give details in the Any other information box []
6 If your business started after 5 April 2010, enter the start date DD MM YYYY []
7 If your business ceased after 5 April 2010 but before 6 April 2011, enter the final date of trading []
8 Date your books or accounts start - the beginning of your accounting period []
9 Date your books or accounts are made up to or the end of your accounting period - read page SPPN 3 of the notes if you have filed in box 6 or 7 []

Other information

10 If your accounting date has changed permanently, put 'X' in the box []
11 If special arrangements apply, put 'X' in the box - read page SPPN 4 of the notes []
12 If your accounting date has changed more than once since 2005, put 'X' in the box []
13 If you provided the information about your 2010-11 profit on last year's tax return, put 'X' in the box - read page SPPN 4 of the notes []

Business income

14 Your turnover - the takings, fees, sales or money earned by your business []
15 Any other business income not included in box 14 - including Business Start-up Allowance []

SA103F 2011 Tax return Self-employment (full) Page SPP 1 HMRC 1.2/10

Relevant sections example

This is the gross taxable profits

72	Adjusted profit for 2010-11 (see Working Sheet on page SEFN 18) - if a loss, enter it in box 76
	£ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> . 0 0
73	Loss brought forward from earlier years set off against this year's profits - up to the amount in box 63 or box 72, whichever is greater
	£ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> . 0 0
74	Any other business income not included in boxes 14, 15 or 59 - for example, Business Start-up Allowance
	£ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> . 0 0
75	Total taxable profits from this business (box 72 minus box 73 + box 74 - or use the Working Sheet on page SEFN 18)
	£ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> . 0 0

Form SA103S: this is a short self assessment return

Full form example

PLDMG

Your name Your Unique Taxpayer Reference (UTR)

Read page SE04 1 of the notes to check if you should use this page or the Self-employment (full) page.

Business details

<p>1) Description of business</p> <input type="text"/> <input type="text"/> <input type="text"/>	<p>4) If you are a former carer's home loan case, put 'X' in the box - read page SE04 2 of the notes</p> <input type="checkbox"/>
<p>3) Postcode of your business address</p> <input type="text"/>	<p>5) If your business started after 5 April 2010, enter the start date DDMMYY</p> <input type="text"/>
<p>2) If your business name, description, address or postcode have changed in the last 12 months, put 'X' in the box and give details in the Any other information box of your tax return</p> <input type="checkbox"/>	<p>6) If your business opened before 6 April 2011, enter the final date of trading</p> <input type="text"/>
	<p>7) Date your loans or accounts are made up to - read page SE04 3 of the notes</p> <input type="text"/>

Business income - if your annual business turnover was below £70,000

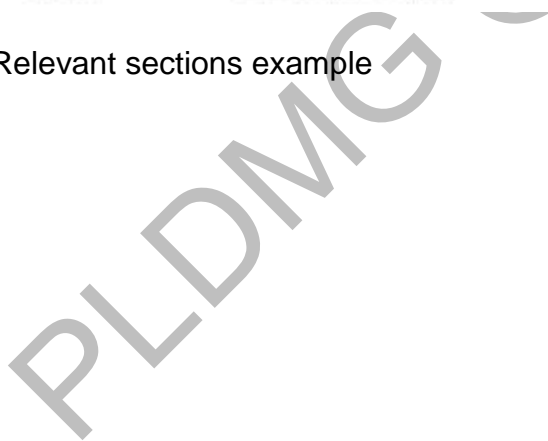
<p>8) Your turnover - the taking, fees, sales or money earned by your business</p> <input type="text"/>	<p>9) Any other business income not included in box 8 - including Business Start-up Allowance</p> <input type="text"/>
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Allowable business expenses

If your annual turnover was below £70,000 you may just put your total expenses in box 15, rather than filling in the whole section.

<p>10) Costs of goods bought for resale or goods used</p> <input type="text"/>	<p>15) Accountancy, legal, and other professional fees</p> <input type="text"/>
<p>11) Car, van and travel expenses - after private use proportion</p> <input type="text"/>	<p>16) Interest and bank and credit card etc. financial charges</p> <input type="text"/>
<p>12) Wages, salaries and other staff costs</p> <input type="text"/>	<p>17) Phone, fax, stationery and other office costs</p> <input type="text"/>
<p>13) Rent, rates, power and insurance costs</p> <input type="text"/>	<p>18) Other allowable business expenses - client entertaining costs are not an allowable expense</p> <input type="text"/>
<p>14) Repairs and renewal of property and equipment</p> <input type="text"/>	<p>19) Total allowable expenses - total of boxes 10 to 18</p> <input type="text"/>

Relevant sections example



Use the figures from these boxes to calculate the gross taxable profits

27 Net business profit for tax purposes (if box 20 + box 25 + box 26 minus (boxes 21 to 24) is positive) £ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	28 Any other business income not included in boxes 8 or 9 - for example, Business Start-up Allowance £ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
Total taxable profits or net business loss	
30 Total taxable profits from this business (if box 27 + box 29 minus box 28 is positive) £ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	31 Net business loss for tax purposes (if boxes 21 to 24 minus (box 20 + box 25 + box 26) is positive) £ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
Losses, Class 4 NICs and CIS deductions	
If you have made a loss for tax purposes (box 31), read page SESN 9 of the notes and fill in boxes 32 to 34 as appropriate.	
32 Loss from this tax year set off against other income for 2010-11 £ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	33 If you are exempt from paying Class 4 NICs, put 'X' in the box - read page SESN 10 of the notes <input type="checkbox"/>

Form SA104F: this is a full self-assessment return where the non-resident parent is a member of a business partnership

Full form example

PLDMG

Your name

Your Unique Taxpayer Reference (UTR)

Complete a *Partnership* page for each partnership of which you were a member and for each partnership business

Partnership details

1 Partnership reference number <input type="text"/>	3 If you became a partner after 5 April 2010, enter the date you joined the partnership DD/MM/YYYY <input type="text"/>
2 Description of partnership trade or profession <input type="text"/>	4 If you left the partnership after 5 April 2010 and before 5 April 2011, enter the date you left <input type="text"/>

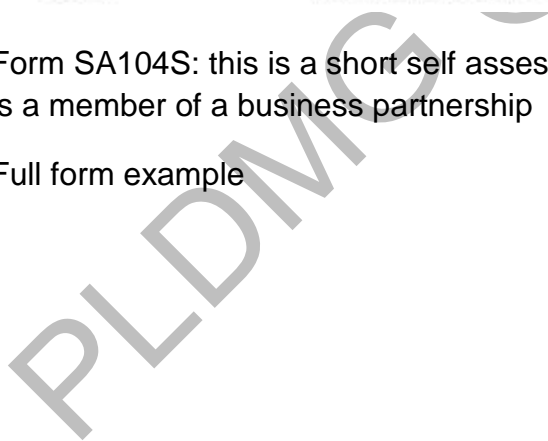
Your share of the partnership's trading or professional profits

If you need help, look up the box numbers in the *Partnership (full)* notes. If you want to enter a loss, or an adjustment needs to be taken off, put a minus sign (-) in the box next to the £ sign.

5 Date your tax year began <input type="text"/>	10 Overlap relief used this year £ <input type="text"/> - <input type="text"/>
6 Date your tax year ended <input type="text"/>	11 Overlap profit carried forward £ <input type="text"/> - <input type="text"/>
7 Your share of the partnership's profit or loss - from box 11 or 12 on the Partnership Statement £ <input type="text"/> - <input type="text"/>	12 Adjusted profit for 2010-11 (see Working Sheet on page P1N5) - if this is a loss put 0 in the box and enter the amount of the loss in box 13 £ <input type="text"/> - <input type="text"/>
8 If your tax period is not the same as the partnership's accounting period, enter the adjustment needed to arrive at the profit or loss for your tax period £ <input type="text"/> - <input type="text"/>	13 Losses brought forward from earlier years set off against this year's profit (up to the amount in box 14) £ <input type="text"/> - <input type="text"/>
9 Adjustment for change of accounting practice - from box 11A on the Partnership Statement £ <input type="text"/> - <input type="text"/>	14 Taxable profits after losses brought forward (box 14 minus box 13) £ <input type="text"/> - <input type="text"/>
10 Averaging adjustment - only for farmers, market gardeners and creators of literary or artistic works £ <input type="text"/> - <input type="text"/>	15 Any other business income not included in the partnership accounts £ <input type="text"/> - <input type="text"/>
11 Foreign tax claimed as a deduction - only if Foreign Tax Credit Relief has not been claimed on Foreign pages £ <input type="text"/> - <input type="text"/>	16 Your share of the total taxable profits from the partnership business for 2010-11 (box 16 + box 15) £ <input type="text"/> - <input type="text"/>

Form SA104S: this is a short self assessment return, where the non-resident parent is a member of a business partnership

Full form example



Your name <input type="text"/>	Your Unique Taxpayer Reference (UTR) <input type="text"/>
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Complete a **Partnership** page for each partnership of which you were a member and for each business

Partnership details

1 Partnership reference number <input type="text"/>	2 If you became a partner after 5 April 2010, enter the date you joined the partnership DD MM YYYY <input type="text"/>
3 Description of partnership trade or profession <input type="text"/>	4 If you left the partnership before 5 April 2010 and before 6 April 2011, enter the date you left <input type="text"/>

Your share of the partnership's trading or professional profits

If you need help, look up the box numbers in the notes. If you want to enter a loss, or an adjustment needs to be taken off, put a minus sign (-) in the box next to the £ sign.

5 Date your basis period began <input type="text"/>	11 Overlap relief used this year £ <input type="text"/> - 00
6 Date your basis period ended <input type="text"/>	12 Overlap profit carried forward £ <input type="text"/> - 00
7 Your share of the partnership's profit or loss - from box 11 or 12 on the Partnership Statement £ <input type="text"/> - 00	13 Adjusted profit for 2010-11 - see the Working Sheet on page SP15 of the notes £ <input type="text"/> - 00
8 If your basis period is not the same as the partnership's accounting period, enter the adjustment needed to arrive at the profit or loss for your basis period £ <input type="text"/> - 00	14 Losses brought forward from earlier years set off against this year's profit (up to the amount in box 14) £ <input type="text"/> - 00
9 Adjustment for change of accounting practice - from box 11A on the Partnership Statement £ <input type="text"/> - 00	15 Taxable profits after losses brought forward (box 14 minus box 15) £ <input type="text"/> - 00
10 Averaging adjustment - only for farmers, market gardeners and creators of literary or artistic works £ <input type="text"/> - 00	16 Any other business income not included in the partnership accounts £ <input type="text"/> - 00
17 Foreign tax claimed as a deduction - only if Foreign Tax Credit Relief has not been claimed on Foreign pages £ <input type="text"/> - 00	18 Your share of total taxable profits from the partnership's business for 2010-11 (box 15 + box 16) £ <input type="text"/> - 00

Relevant sections example

PLDMC

Use the figure from this box to calculate the gross taxable profits

<p>8 If your basis period is not the same as the partnership's accounting period, enter the adjustment needed to arrive at the profit or loss for your basis period</p> <p>£ <input type="text"/> · 00</p>	<p>15 Losses brought forward from earlier years set off against this year's profit (up to the amount in box 14)</p> <p>£ <input type="text"/> · 00</p>
<p>9 Adjustment for change of accounting practice - from box 11A on the Partnership Statement</p> <p>£ <input type="text"/> · 00</p>	<p>16 Taxable profits after losses brought forward (box 14 minus box 15)</p> <p>£ <input type="text"/> · 00</p>
<p>10 Averaging adjustment - only for farmers, market gardeners and creators of literary or artistic works</p> <p>£ <input type="text"/> · 00</p>	<p>17 Any other business income not included in the partnership accounts</p> <p>£ <input type="text"/> · 00</p>
<p>11 Foreign tax claimed as a deduction - only if Foreign Tax Credit Relief has not been claimed on Foreign pages</p> <p>£ <input type="text"/> · 00</p>	<p>18 Your share of total taxable profits from the partnership's business for 2010-11 (box 16 + box 17)</p> <p>£ <input type="text"/> · 00</p>

Non-resident parent does not have a self-assessment return

The Child Maintenance Group requires evidence of self employed Current Income is a completed self assessment return. However, there may be occasions where a non-resident parent does not have this and only has a full set of business accounts for a 12 month period later than the one used for the current maintenance calculation. In these circumstances the non-resident parent should be advised that we can only consider the profits figure in the accounts once it is submitted to HMRC in a self-assessment return.

Once you have determined the non-resident parent's Current Income, you will need to confirm whether it is at least 25% different to the existing Income figure. If the non-resident parent pays pension contributions, deduct these from the income figure before making the comparison. Refer to the section on:

- Deductions from current income and
- Income Tolerance

for further advice.

Non-resident parent has more than one business

Taxpayers with more than one business are required to complete a supplementary self-employment return for each business. The taxable profits from each business should be added together.

A loss can be offset against other income, including taxable profits for another business for the same tax year.

The same rule applies where the non-resident parent has not completed a return but has accounts for each business.

Example

Non resident parent has 2 businesses and has completed a self-assessment supplementary return for each of them for the latest tax year.

- the return for business 1 gives a profit of £35,000;
- the return for business 2 gives a loss of £10,000.

The non-resident parent's total taxable profits for that tax year are £35,000 less £10,000 = £25,000.

Verbal evidence of self-employment

We cannot accept verbal evidence of current income for self employment. The legislative requirements for current income for employed and self employed clients differs. An employed client needs to provide evidence of what their income is at that time, this can be evidenced verbally from reading their payslip or contract of employment which will specify the income. This can be verified via the employer if required.

A self employed client must supply evidence of the profits of the clients trade, profession or vocation in accordance with Part 2 of ITTOIA for the most recently completed relevant period, not for that point in time. If a client is providing a verbal figure then we cannot know that the verbal information provided is sufficient or robust enough to meet this requirement in order to make a calculation. We cannot ascertain the clients understanding of the figure being provided against what needs to be provided for calculation purposes or know exactly what it represents. We have no way of verifying the figure provided.

If a self employed client does not have a completed tax return for the most recently completed relevant period, but wishes for their liability to be based on what they

consider their current income to be, they can consider discussing a family based arrangement with the parent with care.

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[Income from occupational or personal pensions](#)

2012/2677 Regulation 41 of the Child Support Maintenance Calculation Regulations 2012

2012/427 Regulation 40 of the Child Support Maintenance Calculation Regulations (Northern Ireland) 2012

Income from occupational or personal pensions

Periodical payments from an occupational or personal pension scheme are included in gross weekly income. Therefore in any circumstances where Current Income is being considered, you should ask the non-resident parent if they receive payments from such a scheme.

The preferred evidence is an annual statement from the former employer (if an occupational pension) or a pension provider (if a personal scheme). However, if the non-resident parent does not have this, because the only evidence supplied by the pension provider shows payments being made at other intervals, this evidence should be accepted. This is because pension payments are unlikely to have many fluctuations throughout the year.

The evidence will be acceptable if it provides either a weekly figure or one which can be converted to a weekly figure.

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[Deductions from Current Income](#)

Deductions from Current Income

2012/2677 Regulation 40 of the Child Support Maintenance Calculations Regulations 2012

Deductions can be made from Current Income for any private or occupational pension contributions made by the non-resident parent.

Evidence concerning pension contributions may be included with the income evidence provided by the non-resident parents, but this will not normally be the case for self-employed clients. If pension payments are not shown on the non-resident

parent's income evidence, they must provide alternative evidence. For example: a copy of any annual statement from their pension provider.

The non-resident parent should be asked to provide evidence of their contributions for the relevant tax year. The principle is that the contributions should be for the same period as the income from which it is to be deducted.

Private Pension Contributions: Evidence

The preferred evidence for these purposes will be a copy of the annual statement that pension providers are legally obliged to provide for each tax year. However, since they are only provided after the end of the period, they will not in themselves show what the non-resident parent is currently paying. But they can be accepted if the non-resident parent confirms that they are continuing to make the payments shown there.

Copies of bank statements showing the payments made can therefore also be accepted. However, the onus is on the non-resident parent to identify:

- the payments made; and
- if they are periodical payments, the intervals at which they are made.

The evidence needs to be sufficient to enable you to identify a weekly equivalent amount to be offset against their income. If the non-resident parent has not done this, you should tell them that you cannot accept the evidence and that they will have to supply an annual statement from the pension provider.

Private Pensions: Deductions

The amount that should be deducted will be the 'gross' amount. This means the amount of the contributions, plus the Income Tax relief due on them. These amounts will normally be shown separately on the pension provider's annual statement.

If the provider's annual statement shows a single amount, you should assume that this is the gross amount. If a non-resident parent disputes this, they must provide confirmation from their pension provider that this is the case.

Where evidence of pension payments is taken from bank statements, rather than an annual pension statement, the following rules should be applied to calculate the gross amount.

NOTE: You will need to ask the non-resident parent if they were a basic or higher rate taxpayer, as this will affect the evidence you will require (see below).

Non-resident parent was a basic rate taxpayer during the relevant tax year

The gross amount of their pension contributions will be:

£ Amount of contributions x 100 / 80 (this reflects the current basic income tax rate of 20%).

Non-resident parent was a higher / additional rate tax payer

NOTE: The following section will only apply if the evidence relates to a completed tax year. If the evidence of contributions relates to the current tax year, the non-resident parent will not yet have been able to claim additional relief from HMRC.

Tax relief is only given by the pension provider at the basic rate of income tax. The remainder must be claimed by the taxpayer from HMRC.

The 'grossed up' amount of the pension contributions that should be deducted from the non-resident parent's income will be the total of:

£ Amount of contributions x 100 / 80 (this reflects the current basic income tax rate of 20%); and

£ Amount of additional tax relief allowed by HMRC

Higher / additional rate tax payers who want pension contributions to be deducted from their income must submit the normal evidence required PLUS a copy of the HMRC tax calculation notice, which will provide the amount of additional tax relief allowed.

If the non-resident parent fails to provide this evidence, you should only allow tax relief at the basic rate.

Example 6: Non-resident parent was a higher rate/additional tax payment

Non-resident parent is required to support one qualifying child. HMRC confirm an income figure of £60,000 for the tax year 2010 – 2011. The non-resident parent claims he paid £3000 to his personal pension scheme during that tax year. He submits an annual statement from his pension provider, confirming they received £3000 in payments from him and that they have added £750 in income tax relief at the basic rate of 20%. The non-resident parent also submits a tax calculation notice from HMRC, which shows additional relief of £750 for the balance of tax relief at the higher income tax rate (i.e. 40% higher income tax rate – 20% basic income tax rate already covered by the pension provider).

The total amount to be deducted for pension contributions from the non-resident parent's will therefore be: £3000 (amount of contributions) + £750 (basic rate income tax relief) + £750 (balance of higher rate income tax relief) = £4500.

The income figure to be used in the Maintenance Calculation will therefore be £60,000 - £4500 = £55,500.

This figure will be converted into a weekly amount of: £55,500 x 7 / 365 = £1064.38.

Making the Deduction for pension contributions

When the gross amount of the non-resident parent's contributions has been calculated, the annual figure should be recorded on SIEBEL.

SIEBEL will deduct this amount from the non-resident parent's annual gross taxable income figure, and convert the balance into the Gross Weekly Income figure that will be used in the Maintenance calculation.

Other Deductions

Non-resident parent Current Income in another currency

[2012/2677 Regulation 37\(2\) of the Child Support \(Maintenance Calculation\) Regulations 2012](#)

[2012/427 Regulation 36\(2\) of the Child Support Maintenance Calculation Regulations \(Northern Ireland\) 2012](#)

If a non-resident parent receives Current Income in a currency other than sterling, then any costs associated with converting the income to sterling can be deducted from the Current Income figure. These costs will tend to be either or both of the following:

- a commission payment (which will be a percentage of the amount being converted);
- a one off charge for a fixed amount.

If a non-resident parent states they are paid in a currency other than sterling, they should be asked to submit evidence confirming the amount of these charges that corresponds with the period of Current Income being considered. Evidence for these purposes could include:

- a statement or receipt from their bank / exchange bureau; or
- copies of bank statements where the charges are shown as an entry.

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Calculating the non-resident parent's gross weekly income figure

Calculating the non-resident parent's gross weekly income figure

[2012/2677 Regulation 39 of the Child Support Maintenance Calculations Regulations 2012](#)

When the non-resident parent's annual taxable profits has been identified, you will need to record the annual figure on SIEBEL. SIEBEL will then use these figures to identify the non-resident parent's gross weekly income figure, which is the figure that will be used in the Maintenance Calculation.

For a self-employed earner the non-resident parent needs to provide either:

- their gross annual profits as set out in a SAR; or
- where the non-resident parent is newly self-employed an estimated of their projected profits for the current relevant period.

If the non-resident parent supplies their gross annual profits figure this can be input into SIEBEL.

If the non-resident parent is newly self-employed then, in accordance with child support law, it will be necessary to identify a weekly amount which is calculated by dividing the amount of profits by the number of weeks in the relevant period. SIEBEL requires a annual figure and therefore you will need to adjust this figure to annual amount before recording it on SIEBEL.

Example

Today is 02/09/2013. The non-resident parent has declared that he has commenced self-employment and has stated that he will operate in line with HMRC tax years and will have a year end date of 05/04/2014. The non-resident parent has provided suitable documentation that his estimated annual profits for this period will be £12K. From 01/09/2013 to 05/04/2014 is 30 weeks 6 days.

$30 \times 7 + 6 = 216$ days. $12,000/216 \times 7 = £388.89$ which is his weekly amount of profits. $£388.89 \times 52 = £20222.28$ annual profits for the purposes of SIEBEL.

The decision maker should clearly document how the amount has been calculated for the purposes of the MC so that, if necessary, it can be explained to the NRP/PWC.

You will also need to record an annual figure for any pension contributions that the non-resident parent makes on SIEBEL.

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[Income Tolerance](#)

The Income Tolerance Rule:

CMG will only:

- use Current, rather than Historic Income if there is at least a 25% difference between the two; and
- change a Maintenance Calculation already based on Current Income if there has been at least a 25% change in the non-resident parent's Current Income.

REMEMBER: When you are checking if income tolerance is breached, you will be looking at the Historic / Current Income figures only. This will not necessarily be the same amount as the Gross Weekly Income figure, which may include adjustments for variations and / or relevant other children.

NOTE: SIEBEL will automatically calculate whether or not Income Tolerance is breached. However, the following section will help you understand how / when this Income Tolerance Rule works, and may also be helpful if you need to check figures before inputting into the system. For example, when advising clients.

The Income Tolerance Rule is relevant in two situations:

- where a non-resident parent / parent with care wants us to consider using Current, rather than Historic Income; and
- where a Maintenance Calculation has already been calculated using Current Income, but the non-resident parent / parent with care reports an relevant income change.

Is Income Tolerance Breached?

You can check whether a non-resident parent's Current Income is 25% different by applying the following equations:

- is Current Income 25% lower than the figure held?
 - $\text{income Figure held} \times 75 / 100 = X$
 - the non-resident parent's income figure must fall to X or below to reflect a 25% difference
- is Current Income 25% higher than the income figure held?
 - $\text{income figure held} \times 125 / 100 = X$
 - the non-resident parent's income must equal or exceed X to reflect a 25% difference

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