

## Self Assessment

### Overlap Profits: Boxes 66-68

Overlap profits occur in the opening years of trading or if there has been a change in basis year. It only applies to self-employed individuals and partners in a business, but not the partnership itself. If the business year end (accounting period) is the 31<sup>st</sup> March or 5<sup>th</sup> April, then no overlap arises.

Overlap profits can only be taken back as relief when there is a change in the bases year or self employment or partnership ceases. The change in basis year has to be justified on events other than the reclaiming of overlap profits.

The overlap profit is entered in box 66, it is carried forward in box 68 and if relief is claimed entered in box 67, on the self employed (full) supplement sheet.

When the first year of trading period is less than or more than 12 months then the calculation is more complicated (see example 2)

#### Example 1

Self-Employed Business started 1<sup>st</sup> January 2008 and elects 31<sup>st</sup> December as its continuous year-end.

Taxable Profits 12 months to 31<sup>st</sup> December 2008 £20,000

**Tax Return 2007/08** actual profits to 5<sup>th</sup> April 2008 £ 5,246  
Based on profit 31<sup>st</sup> Dec 2008 (96/366 X £20,000)

1<sup>st</sup> January 2008 to 5<sup>th</sup> April 2008 = 96 days  
1<sup>st</sup> January 2008 to 31<sup>st</sup> December 2008 = 366 days

**Tax Return 2008/09** 12 months to 31<sup>st</sup> December 2008 £20,000

**Overlap Period/Profit** is the 1<sup>st</sup> January 2008 to 5<sup>th</sup> April 2008, which has been taxed in both years 2007/08 and 2008/09. In this example it is the same as the charge taken into the tax return 2007/08.

96 days/366 days X £20,000 £ 5,246

**Example 2**

Self-Employed Business started 1<sup>st</sup> November 2007 and elects for 31<sup>st</sup> December 2008 as its continuous year-end.

Taxable Profits 14 months to 31<sup>st</sup> December 2008 £20,000

**Tax Return 2007/08** actual profits to 5<sup>th</sup> April 2008 £7,354  
Based on profit 31<sup>st</sup> Dec 2008 (157/427 X £20,000)

1<sup>st</sup> November 2007 to 5<sup>th</sup> April 2008 = 157 days  
1<sup>st</sup> November 2007 to 31<sup>st</sup> December 2008 = 427 days

**Tax Return 2008/09**  
first 12 months accounts 31<sup>st</sup> December 2008 £17,143  
Based on profit 31<sup>st</sup> Dec 2008 (366/427 X £20,000)

**Overlap Period/Profit** is the 1<sup>st</sup> January 2008 to 5<sup>th</sup> April 2008, which has been taxed in both years 2007/08 and 2008/09.

Period 1<sup>st</sup> January 2008 to 5<sup>th</sup> April 2008 = 96 days  
Period 1<sup>st</sup> Nov 2007 to 31<sup>st</sup> Dec 2008 = 427 days

Overlap days / total days X period profit

96/427 X £20,000 £4,496

**Tax Return 2009/10** current year bases 12 months to 31<sup>st</sup> December 2009.