



AUTHORS AND CREATIVE ARTISTS

Averaging of taxable profits

Authors and artists quite often have fluctuating income levels because a work can take more than a year to create or because a lump sum payment has been received. An averaging claim, as the example demonstrates, is intended to smooth the pattern of taxable profits and so save higher rate tax and improve cash flow. The first two years available for averaging are 2000/01 and 2001/02.

Joe is an artist and his profits are:

	£
2000/01	10,000
2001/02	24,000
2002/03	<u>7,000</u>
	<u>£41,000</u>

Averaging is possible where the profits of the lower year are less than 75% of the profits of the higher year.

Averaging will result in the following pattern of taxable profits:

	£
2000/01	,000
2001/02	12,000
2002/03	<u>12,000</u>
	<u>£41,000</u>

(2002/03 can be averaged further with 2003/04)

We would be delighted to discuss this issue with you and demonstrate what the impact would be on your business.

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