

SCHEDULE 4

FINANCIAL ASSESSMENT

Calculation of parent's residual income

5.—(1) For the purposes of determining the taxable income of an eligible student's parent, ("A" in this paragraph) any deductions which fall to be made or exemptions which are permitted—

- (a) by way of personal reliefs provided for in Chapter 1 of Part VII of the Income and Corporation Taxes Act 1988(1) or, where the income is computed for the purposes of the income tax legislation of another Member State, any comparable personal reliefs;
- (b) pursuant to any enactment or rule of law under which payments which would otherwise under United Kingdom law form part of a person's income are not treated as such; or
- (c) under sub-paragraph (2),

must not be made or permitted.

(2) For the purposes of determining the residual income of A there is deducted from the taxable income determined under sub-paragraph (1) the aggregate of any amounts falling within any of the following sub-paragraphs—

- (a) the gross amount of any premium or sum relating to a pension (not being a premium payable under a policy of life assurance) in respect of which relief is given under section 273 of the Income and Corporation Taxes Act 1988 or under section 188 of the Finance Act 2004, or where the income is computed for the purposes of the income tax legislation of another Member State, the gross amount of any such premium in respect of which relief would be given if that legislation made provision equivalent to the Income Tax Acts;
- (b) in any case where income is computed for the purposes of the Income Tax Acts by virtue of sub-paragraph (6) any sums equivalent to the deduction mentioned in paragraph (a) of this sub-paragraph, provided that any sums so deducted do not exceed the deductions which would be made if the whole of A's income were in fact income for the purposes of the Income Tax Acts;
- (c) where A is a parent student or A holds a statutory award, £1,130.

(3) Where the Secretary of State is satisfied that the residual income of A in the financial year beginning immediately before the relevant year ("the current financial year") is likely to be not more than 85 per cent of the sterling value of A's residual income in the prior financial year the Secretary of State may, for the purpose of enabling the eligible student to attend the course without hardship, ascertain A's residual income for the current financial year.

(4) In an academic year immediately following one in which the Secretary of State has ascertained A's residual income for the current financial year under sub-paragraph (3), the Secretary of State must ascertain A's residual income in the preceding financial year.

(5) Where A satisfies the Secretary of State that A's income is wholly or mainly derived from the profits of a business or profession carried on by A, then any reference in this Schedule to a

(1) 1988 c.1; Chapter 1 of Part VII was amended by the Finance Act 1988 (c.39), sections 29, 31 and 33 and Schedules 3 and 14, the Finance Act 1989 (c.26) section 33, the Finance Act 1990 (c.29) Schedule 19, the Finance (No.2) Act 1992 (c.48) Schedules 5 and 9, the Finance Act 1993 (c.34), section 107 and Schedule 23, the Finance Act 1994 (c.9), section 77 and Schedules 8, 17 and 26, the Finance Act 1996 (c.8), sections 145 and 171 and Schedules 20, 21 and 41, the Finance Act 1997 (c.16) section 56, the Finance Act 1999 (c.16), sections 25, 30 and 31 and Schedule 20, S.I. 2001/3629, Tax Credits Act 2002 (c.21) Schedule 6, the Finance Act 2002 (c.23) section 27, the Income Tax (Earnings and Pensions) Act 2003 (c.1) Schedule 6, the Finance Act 2004 (c.12) Schedule 35, the Income Tax (Trading and Other Income) Act 2005 (c.5) Schedule 1, S.I. 2005/3229, S.I. 2006/3241, the Income Tax Act 2007 (c.3), Schedules 1 and 3, the Finance Act 2008(c.9) section 118(1) and Schedule 39, S.I. 2008/673 and S.I.2008/3024.

prior financial year means the earliest period of twelve months which ends after the start of the prior financial year and in respect of which accounts are kept relating to that business or profession.

(6) Where A is in receipt of any income which does not form part of A's income for the purposes of the Income Tax Acts or the income tax legislation of another Member State by reason only that—

- (a) A is not resident, ordinarily resident or domiciled in the United Kingdom, or where A's income is computed as for the purposes of the income tax legislation of another Member State, not so resident, ordinarily resident or domiciled in that Member State;
- (b) the income does not arise in the United Kingdom, or where A's income is computed as for the purposes of the income tax legislation of another Member State, does not arise in that Member State; or
- (c) the income arises from an office, service or employment, income from which is exempt from tax in pursuance of any legislation,

A's taxable income for the purposes of this Schedule is computed as though the income under this sub-paragraph were part of A's income for the purposes of the Income Tax Acts or the income tax legislation of another Member State, as the case may be.

(7) Where A's income is computed as for the purposes of the income tax legislation of another Member State, it is computed under the provisions of this Schedule in the currency of that Member State and A's income for the purposes of this Schedule is the sterling value of that income determined in accordance with the rate for the month in which the last day of the financial year in question falls, as published by the Office for National Statistics.

(8) Where one of the eligible student's parents dies either before or during the relevant year and that parent's income has been or would be taken into account for the purpose of determining the household income, the household income is—

- (a) where the parent dies before the relevant year, determined by reference to the income of the surviving parent; or
- (b) where the parent dies during the relevant year, the aggregate of—
 - (i) the appropriate proportion of the household income determined by reference to the income of both parents, being the proportion in respect of that part of the relevant year during which both parents were alive; and
 - (ii) the appropriate proportion of the household income determined by reference to the income of the surviving parent, being the proportion in respect of that part of the relevant year remaining after the death of the other parent.

(9) Where the Secretary of State determines that the parents are separated for the duration of the relevant year, the household income is determined by reference to the income of whichever parent the Secretary of State considers the more appropriate under the circumstances.

(10) Where the Secretary of State determines that the parents have separated in the course of the relevant year, the household income is determined by reference to the aggregate of—

- (a) the appropriate proportion of the household income determined in accordance with sub-paragraph (9), being the proportion in respect of that part of the relevant year during which the parents are separated; and
- (b) the appropriate proportion of the household income determined otherwise in respect of the remainder of the relevant year.