

Zhi has been self-employed since 2000, preparing accounts to 31 December. On 1 December 2016, Zhi purchased a new freehold warehouse for £164,000 for use in his business, but this purchase has resulted in Zhi having cash flow problems. He has various tax payments becoming due over the next two months, and would like to reduce or postpone these payments as much as possible.

Income tax and national insurance contributions (NICs)

Zhi's income tax liabilities and class 4 NICs for the tax years 2014—15, 2015—16 and 2016—17 are, or are forecast to be:

| | 2014—15 | 2015—16 | 2016—17 |
|----------------------|----------------|----------------|----------------|
| | £ | £ | £ |
| Income tax liability | 25,200 | 27,600 | 18,000 |
| Class 4 NICs | 4,084 | 4,204 | 3,724 |

Zhi has not made any claims to reduce his payments on account.

(a) Calculate the amount by which Zhi can claim to reduce his self-assessment income tax and NICs due for payment on 31 January 2017 without incurring interest or penalties. (2 marks)