

If you have answered 'Yes' to Question 4, fill in Pages P1 and P2. If you want help, look up the box number in the Notes on Partnership at the back of your Tax Return Guide. They are colour-coded to match the form.

You can use these Short Pages if your only partnership income for the year was trading income or taxed interest from banks, building societies and deposit takers (you will see that box numbers do not run consecutively throughout - missing numbers are in the full version of the Partnership Pages). Otherwise you will need the Full Pages, available from the Orderline. You will need to fill in a copy of these Pages for each partnership of which you were a member, or for each business carried on by the partnership.

**Partnership details**

Partnership reference number

**4.1**

Partnership trade or profession

**4.2**

 • Date you started being a partner  
(if during 1996-97)

**4.3**

 • Date you stopped being a partner  
(if during 1996-97)

**4.4**
**Your share of the partnership's trading or professional income**

Ignore boxes 4.5 and 4.6 if you were a member of an 'old' partnership

Basis period begins

**4.5**

and ends

**4.6**

• Your share of the profit or loss of this year's account for tax purposes

**4.7** £

Ignore boxes 4.8 and 4.9 if you were a member of an 'old' partnership

• Adjustment to arrive at profit or loss for this basis period

**4.8** £

• Adjustment for farmers' averaging (or foreign tax deducted, if tax credit relief not claimed)

**4.9** £

**Net profit for 1996-97 (if loss, enter '0' in box 4.10 and enter the loss in box 4.11)**
**4.10** £

**Allowable loss for 1996-97**
**4.11** £

• Loss offset against other income for 1996-97

**4.12** £

• Loss to carry back

**4.13** £

 • Loss to carry forward  
(that is, allowable loss not claimed in any other way)

**4.14** £

• Losses brought forward from last year

**4.15** £

• Losses brought forward from last year used this year

**4.16** £

**Taxable profit after losses brought forward**
**4.17** £

box 4.10 minus box 4.16

 • Add amounts **not** included in the partnership accounts that are needed to calculate your taxable profit (for example Enterprise Allowance (Business Start-up Allowance) received in 1996-97)

**4.18**
**Total taxable profits from this business**
**4.19** £

box 4.17 + box 4.18

**Class 4 National Insurance Contributions**

• Tick this box if exception or deferment applies

**4.20**

• Adjustments to profit chargeable to Class 4 National Insurance Contributions

**4.21** £

**Class 4 National Insurance Contributions due**
**4.22** £

***Your share of taxed income***

● Share of taxed savings	<b>4.65</b> £
● Share of other partnership income	<b>4.68</b> £

from box 4.19

***Your share of tax paid***

● Share of Income Tax paid	<b>4.69</b> £
● Share of SC60 deductions	<b>4.70</b> £
	<b>4.72</b> £

box 4.69 + box 4.70

***Your share of tax and Class 4 NIC assessed on the partnership***

*Ignore boxes 4.74 and 4.75 if you were a member of a 'new' partnership*

● Share of Income Tax assessed in 1996-97 partnership assessment	<b>4.74</b> £
● Share of Class 4 NIC assessed in 1996-97 partnership assessment	<b>4.75</b> £

*Additional information*

*Now fill in any other supplementary Pages that apply to you.  
Otherwise, go back to page 2 in your Tax Return and finish filling it in*



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**HELP SHEETS AND LEAFLETS**

Help Sheets and leaflets giving more detailed information about particular tax rules for partnerships are available from the Orderline.

- IR220: *More than one business*
- IR222: *New businesses starting on or after 6 April 1994*
- IR224: *Farmers and market gardeners*
- IR227: *Losses*
- IR228: *Cessation*
- IR230: *Transitional rules for old businesses*

**Filling in the Partnership Pages**

You must fill in the Partnership Pages if, at any time during the 1996-97 tax year, you were entitled to a share of profits, losses or income from a business which you carried on in partnership.

- The Partnership Tax Return

You are jointly responsible, with your partners, for making a Partnership Tax Return for 1996-97. The records used to complete it should be kept until at least 31 January 2003 in case your Tax Office asks to see them.

- The Partnership Statement

The Partnership Tax Return includes a summary of the share of profits, losses or income allocated to you during any period for

which you were a member of the partnership. This summary is called the 'Partnership Statement' and you should use the information in that Statement to complete your Partnership Pages.

There are two types of Statement:

- a 'full', unabridged, version covering all the possible types of partnership income you might receive, **and**
- a 'short', abridged, version for partnerships that only have trading income and interest with tax deducted from banks, building societies or other deposit takers.

If your partnership completes a full Partnership Statement, you will need to ask the Orderline for the full Partnership Pages and transfer the figures to those.

Most partnerships will complete the short Partnership Statement and I have sent you the Partnership Pages for it. The notes below explain how to complete the short Partnership Pages. They use technical terms such as 'trade', 'basis period' and so on. They explain these terms as fully as possible, but they are not a comprehensive guide in all circumstances. If you are in doubt about the correct tax treatment of a particular item, ask your Tax Office or tax adviser for advice. There is also a glossary of terms on page PN4.

- If you were a member of more than one partnership or the partnership carried on more than one business

Your partnership will complete separate Partnership Statements:

- for each partnership of which you were a member, **and**
- for each business if the partnership carried on more than one business.

You must complete a set of the relevant Partnership Pages for each Partnership Statement. Either photocopy blank pages you already have, or ask the Orderline for more copies. If you use photocopies, please put your name and tax reference at the top.

You should also ask the Orderline for *Help Sheet IR220: More than one business*. It includes a Working Sheet to deal with special rules for Class 4 National Insurance Contributions.

- Changing between self-employment and partnership

When a trade or profession, now carried on by you in partnership, was previously carried on by you alone, then the profits of the period to the date of the commencement of the partnership should be shown in the Self-employment Pages, and your share of the profits from the partnership in the Partnership Pages.

Similarly, where a trade or profession, that you previously carried on in partnership, is now carried on by you alone, your share of the partnership's profits should be included in the Partnership Pages. Put the profits for the period when you carried on the business alone in the Self-employment Pages.

- If the partnership disposed of any chargeable assets

The Partnership Tax Return shows details of the chargeable assets disposed of. Do not put details of the capital gains arising on your share of the proceeds from the disposal of partnership assets in these Pages. Put details in the Capital Gains Pages instead, unless

- the total value of **all** the assets you disposed of in 1996-97 (through the partnership or otherwise) is no more than £12,600, **and**
- your total chargeable gains do not exceed £6,300,

in which case no tax will be due.

See your Tax Return Guide for more information.

Notes on **PARTNERSHIP (SHORT VERSION)**

- Pension payments

If you want to claim relief for pension payments, contributions to retirement annuities, or additional voluntary contributions, fill in Question 14 on page 5 of your Tax Return.

- **Return period**

There are special transitional rules for working out taxable income from 'old' partnerships and for paying tax on that income. The notes below explain how these rules affect you.

From 1997-98 one set of rules will apply to all partnerships.

- What are 'old' and 'new' partnerships?

**'Old' partnership**

A partnership whose trade or profession started **before** 6 April 1994 is an 'old' partnership, up to the date of any change in the membership of the partnership on or after 6 April 1994, unless a continuation election is made for that change. If an election is not made, then the partnership trade or profession is **treated** as a new one from the date of the change.

**Continuation election**

If there was a change in the membership of an old partnership before 5 April 1997, the partners, both before and after the change, can elect for the partnership to continue to be treated as an old one. The time limit for the election is two years from the date of the change of membership.

**'New' partnership**

A 'new' partnership is a partnership whose trade or profession started **on or after** 6 April 1994, or whose trade or profession is **treated** as commencing on or after 6 April 1994.

**Change from old to new partnership**

If the partnership changed from an old to a new one in 1996-97, then:

- for the period up to the date of change, the partnership is an old partnership, **and**
- for the period thereafter, the partnership is a new partnership.

Each partnership will need to fill in a separate Partnership Tax Return for both the old and the new partnership periods. You will receive separate Partnership Statements. Fill in a set of Partnership Pages for each.

- Tax due on shares of partnership income

**Trade and professional income**

**For members of old partnerships**, the information in the Partnership Tax Return will be used to make or amend an assessment on the partnership. All the partners are jointly liable to the tax due, as with any other partnership debt.

You will still have to include in your Partnership Pages your share of the 1996-97 profits from the trade or profession. To ensure that tax is not paid twice on the same profits (once by the partnership and again by you) you will be able to treat the tax charged on your share of partnership profits in the 1996-97 partnership assessment as if it were non-repayable tax deducted at source.

When you fill in your own Tax Return, the final tax due on the 1996-97 partnership assessment is unlikely to be known. This is because tax due on the 1996-97 partnership assessment cannot be finalised until after the Partnership Tax Return and all the individual partners' Tax Returns have been filed. Once they have been filed,

they will be reviewed as soon as possible. Then, unless any further information is needed or an enquiry is to be made, the partnership assessment will be finalised straight away. In turn, this will enable you to finalise your own tax.

**For members of new partnerships**, there will be no partnership assessment. Instead, the information in the Partnership Tax Return will be used to check that you pay the correct tax due on your share of partnership profit. You alone are responsible for the tax due on your share of the partnership profit.

For new partnerships, the Inland Revenue will normally have until 31 January 1999 to decide whether an enquiry is to be made to check the accuracy of the figures in the Partnership Tax Return.

**Other income**

The members of both old and new partnerships are individually responsible for the tax due on shares of income other than trade and professional income. But the way in which the taxable income for 1996-97 is calculated can vary. The notes explain what to do.

**Partnership details****boxes 4.1 and 4.2**

Make sure you complete these boxes for each set of Pages you fill in. Enter the partnership tax reference number in box 4.1 and describe the partnership trade or profession, for example 'farming' or 'contracting', in box 4.2.

**boxes 4.3 and 4.4**

If you became a partner after 5 April 1996, you should enter that date in box 4.3. If you stopped being a partner before 6 April 1997, you should enter that date in box 4.4.

**Your share of the partnership's trading or professional income**

The entries to be made in boxes 4.5 to 4.19 will depend on whether you were a member of an old partnership or a new partnership - see the notes above.

**boxes 4.5 and 4.6****Old partnership**

If you were a member of an old partnership, ignore boxes 4.5 and 4.6.

**New partnership**

If you were a member of a new partnership, you pay tax for 1996-97 on the profits and losses of your 'basis period'. For this purpose the normal basis period rules for trading and professional income are applied to your share of the partnership's profits (and losses), as if that income had arisen to you from a business that you carried on alone. After the first one or two years as a partner, your basis period will be the same as the partnership's accounting period, unless the partnership changes its accounting date. For example, if the partnership's accounting date is 31 December and you became a partner on 1 January 1995, your basis period for 1996-97 is the 12 months from 1 January 1996 to 31 December 1996.

However, your 'notional' business will be regarded as having commenced on the date you became a partner, or if you previously carried on the business on your own account, the date on which you first started that business. It will be regarded as having ceased on the date you ceased to be a partner, or, if you subsequently carried on the business on your own account, the date you ceased to carry on that business.

Full details of the rules used to determine your basis period are in *Help Sheet IR222: New businesses starting on or after 6 April 1994*.

Enter the date on which your basis period starts and ends in boxes 4.5 and 4.6 respectively.

Notes on **PARTNERSHIP (SHORT VERSION)****boxes 4.7 and 4.8****Old partnership**

Enter your share of any profit from a trade or profession in box 4.7. This will be the amount allocated to you in the 1996-97 partnership assessment. If the partnership made a loss, enter '0' in this box. Because special rules apply in 1996-97, you may in some circumstances be allocated shares of both a profit and a loss. If so, enter any share of a loss in box 4.11. Ignore box 4.8.

**New partnership**

If you were a member of a new partnership, your share of the partnership's profit or loss is the amount shown in the Partnership Statement. You should not make any adjustment to that figure other than those described below.

**If your basis period is the same as the partnership's accounting period,** enter your share of the partnership's profit or loss in box 4.7 and ignore box 4.8.

**In any other case,** you will need to calculate the profit or loss of the basis period by adding together (or subtracting, as appropriate) your share of the profits or losses of the partnership's accounting periods. Enter your share of the profits or loss for the partnership's accounting period ended in 1996-97 in box 4.7. If more than one accounting period ends in 1996-97, enter the share of profit for the most recent set of accounts. If no accounting period ends in 1996-97, enter '0' in box 4.7.

To arrive at your profit or loss for your 1996-97 basis period, enter in box 4.8 the amount to be added to, or subtracted from, the figure in box 4.7. If this adjustment means you need to deduct a figure at box 4.8, enter the figure in brackets and remember to subtract it in arriving at your total taxable profit. *Help Sheet IR222: New businesses starting on or after 6 April 1994* explains how to calculate the adjustments.

You may not be able to complete box 4.8 because it is impossible for the partnership to prepare the accounts needed to enable you to calculate the adjustment before the latest date for sending in your Tax Return. If so, you should provide an estimate, tick box 22.3 in your Tax Return and explain in the 'Additional information' box why you cannot provide a final figure, and enter the date by which you expect to be able to do so.

If, because of your residence status, you are taxable on the remittance basis on profits arising overseas, the amount to be entered in box 4.7 is your share of the partnership profit according to the rules for non-residents (the UK profit only).

If the partnership's annual accounting date is other than 5 April, it may be that your basis period for 1996-97 overlaps with the basis period for 1995-96. Such overlaps can occur in the first 3 years after your 'notional' business starts - see the note on boxes 4.5 and 4.6 - or if there is a change of accounting date. Make sure you have *Help Sheet IR222: New businesses starting on or after 6 April 1994*. This contains instructions on how to calculate overlap profits and how to claim overlap relief.

Overlap relief may be due if, in 1996-97:

- you ceased to be a partner, **or**
- the business ceased, **or**
- the partnership changed its accounting date and the basis period shown at boxes 4.5 and 4.6 exceeds 12 months.

If so, ask the Orderline for *Help Sheet IR228: Cessation* and *Help Sheet IR222: New businesses starting on or after 6 April 1994* and include any adjustments you make in box 4.8.

**box 4.9****Old partnership**

If you were a member of an old partnership, ignore box 4.9.

**New partnership**

If the partnership carried on a farming business, you may be able to claim to average your share of two years' profits. Ask the Orderline for *Help Sheet IR224: Farmers and market gardeners*, which explains this.

Also use box 4.9 to claim credit for foreign tax deductions if you are not claiming tax credit relief in the Foreign Pages for foreign tax paid.

**Old and new partnerships****boxes 4.10 and 4.11**

If box 4.7 and any adjustments in boxes 4.8 and 4.9 result in a profit, enter this in box 4.10 and '0' in box 4.11. If the result is a loss, enter this in box 4.11 and '0' in box 4.10.

If the partnership made a loss, you may be able to claim tax relief for your share of that loss. If you want information about losses, ask the Orderline for *Help Sheet IR227: Losses*. If you have now left the partnership, or the partnership's business has now ceased, you should ask for *Help Sheet IR228: Cessation*.

**Time limits:** some claims must be made by 31 January 1999. You should ensure that any claims you wish to make are made within the time limit prescribed. Late claims cannot normally be accepted.

**box 4.12**

*Help Sheet IR227: Losses* provides information on how you may claim tax relief on losses. If you wish to offset your 1996-97 loss against other income of 1996-97, enter in box 4.12 the amount you are claiming to offset. If you are a member of an old partnership you may need to consult your Tax Office or tax adviser (see *Help Sheet IR227: Losses*). Read the notes on box 4.7 if you are claiming overlap relief on untaxed income.

**box 4.13**

If you want to offset the 1996-97 loss against income of an earlier year, enter the amount of the loss in box 4.13. If you were a member of an old partnership, you will need to ask your Tax Office or tax adviser to find out the amount you can claim. If you have already claimed to offset this loss, you should still include it in the entry in box 4.13, and show the amount repaid in the 'Additional information' box on page 8 of your Tax Return.

**box 4.14**

Enter in box 4.14 any losses sustained in 1996-97, but not claimed in any other way, that you claim to carry forward against later profits.

**boxes 4.15 and 4.16**

Enter in box 4.15 any losses sustained in the same business in earlier years that you claimed to carry forward against later profits but have not already used. You can use that loss to offset any profit shown at box 4.10.

Enter in box 4.16 the amount you are deducting up to the figure in box 4.10.

**box 4.18**

Enter any amounts that have not been included in the partnership accounts but which are needed to calculate your taxable profits; for example, any Enterprise Allowance (sometimes called Business Start-Up Allowance) you received in the year to 5 April 1997. This will normally have been paid to you rather than the partnership and therefore will not have been included in the Partnership Tax Return.

**Class 4 National Insurance Contributions****Old and new partnerships**

Partners must pay Class 4 contributions on profits from the partnership unless they are 'excepted'. The contributions are a percentage of taxable profits for the tax year between lower and upper profit limits.

Notes on **PARTNERSHIP (SHORT VERSION)****box 4.20**

You are exempted from paying Class 4 contributions for 1996-97 if you were:

- a man aged over 65, or a woman aged over 60, at 6 April 1996, or
- aged under 16 at 6 April 1996 and the Contributions Agency has granted you exception (leaflet NP18 available from Contributions Agency offices gives details), or
- not resident in the UK for tax purposes during 1996-97 (ask your Tax Office if you do not know whether this applies to you).

It is possible for certain other people to be exempted from paying Class 4 contributions. If you think you may be exempted because you were a trustee, or a diver or diving supervisor, or a sleeping partner, ask your Tax Office or tax adviser.

Sometimes, where both Class 1 and Class 4 contributions could be due, Class 4 contributions may not be payable. In these circumstances the Contributions Agency may agree for your Class 4 contributions to be 'deferred' until your overall contributions can be determined. Only the Contributions Agency can agree to deferment and its leaflet NP18 gives further details.

If you were exempted from Class 4 NIC, or the Contributions Agency has agreed to defer contributions:

- tick box 4.20
- enter '0' in boxes 4.21 and 4.22
- explain in the 'Additional information' box that you are exempted or deferred, and give the reason.

**boxes 4.21 and 4.22**

If this was your only business, use the following Working Sheet to arrive at figures to enter in boxes 4.21 and 4.22.

If you have more than one business do not use the Working Sheet. Instead, ask the Orderline for *Help Sheet IR220: More than one business*.

**Working Sheet for NICs (one partnership interest only)**

Taxable profit for 1996-97	from box 4.19 <b>A</b> £
Adjustments to profits chargeable to NICs (see notes* below)	copy to box 4.21 <b>B</b> £
Profit for National Insurance Contributions (A minus B)	A minus B <b>C</b> £
Exempt threshold	<b>D</b> £ 6,860
Amount chargeable (Maximum £16,800 in box E)	C minus D <b>E</b> £
If you want to calculate your tax, complete box F and copy it to box 4.22 in your Partnership Pages. If you want me to calculate your tax, ignore boxes F and 4.22.	
Class 4 NIC due (Maximum £1,008 in box F)	E x 6% <b>F</b> £

\***Trading losses** of this business from 1995-96 and earlier years that have not yet been set against profits chargeable to Class 4 NIC may be brought forward and set against the Class 4 profits of the same business for 1996-97. (This is because losses that are allowable for tax are also treated as losses arising for the purposes of Class 4 NIC. They may be allowed for Class 4 in the same ways as losses are allowed for tax.)

\***Interest** can be deducted in calculating Class 4 profits if it is incurred for the purposes of your business but has not been deducted in arriving at your taxable profits. Include any such interest from 1995-96 and earlier years which has not been set against previous Class 4 profits, or which was paid in 1996-97.

**Investment income**

You must include your share of any partnership investment income in the Partnership Pages - that is, income other than trading or professional income. It will be shown on the Partnership Statement.

You can use the short Partnership Pages if your only share of investment income was interest with tax deducted from a UK bank, building society or other deposit taker. Otherwise you must ask the Orderline for the full version of the Partnership Pages (and Notes) and complete those instead.

**Your share of taxed income and tax paid****boxes 4.65 and 4.69**

The basis period for all investment income that has had UK tax deducted at source is the year ended 5 April 1997. This is the case even if the partnership carried on a trade or profession, and applies to both old and new partnerships.

Enter in box 4.65 your share of any partnership interest with tax deducted from a bank, building society or other deposit taker. Enter your share of the tax deducted in box 4.69. Get the figures from your Partnership Statement.

**box 4.70**

If the partnership was a subcontractor in the building industry, it may have received some payments under the Construction Industry Tax Deduction Scheme. Enter in box 4.70 your share of any deduction made on account from tax payments to the partnership. Get the figure from your Partnership Statement.

**Your share of tax and Class 4 NIC assessed on the partnership for 1996-97**

Only fill in boxes 4.74 and 4.75 if you were a member of an old partnership.

**boxes 4.74 and 4.75**

Enter in box 4.74 the amount of Income Tax assessed on your share of profits in the 1996-97 partnership assessment.

Enter in box 4.75 the amount of Class 4 NIC assessed on your share of profits in the 1996-97 partnership assessment.

Get the figures from your Partnership Statement.

If the 1996-97 Partnership Statement is not yet final, you should enter provisional figures in box 4.74 and 4.75 and remember to tick box 22.3 on page 8 of your Tax Return. If you are in any doubt about what to include, you should contact the partner responsible for agreeing the partnership's accounts with your Tax Office, or ask your Tax Office or tax adviser.

**Glossary**

**Accounting date** The date to which the partnership's accounts are made up.

**Basis period** The period on which your profits for the tax year are based.

**Investment business** Any business carried on by the partnership that does not amount to carrying on a trade or profession.

**Overlap profits and overlap relief** Overlap profits arise when basis periods overlap so that the same profits are taxed in two different tax years.

Overlap relief deducts the overlap profits in a later tax year so that over the life of your business you do not pay tax on more profits than you earn.

**Trade** Any commercial operation supplying goods or services to a customer for profits is likely to be regarded as a trade. If you are in doubt whether you are carrying on a trade, profession or vocation during 1996-97, ask your Tax Office or tax adviser.