



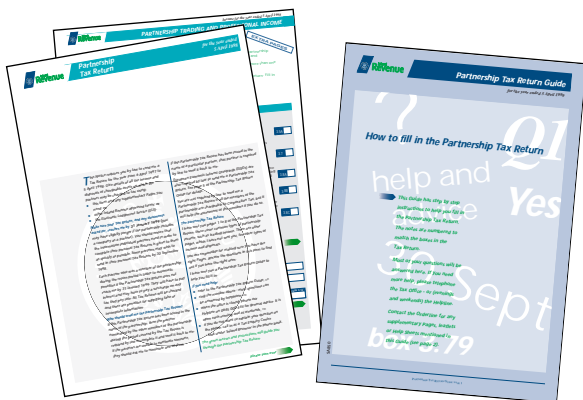
How to fill in the Partnership Tax Return

 *This Guide has step by step instructions to help you fill in the Partnership Tax Return.*

The notes are numbered to match the boxes in the Tax Return.

Most of your questions will be answered here. If you need more help, please telephone the Tax Office - or (evenings and weekends) the Helpline.

Contact the Orderline for any supplementary Pages, leaflets or Help Sheets mentioned in this Guide (see page 2).



The Partnership Tax Return asks for details of the partnership's income and related information. With it I have sent a Guide to help you fill it in.

Every partnership gets the first 8 pages of the Partnership Tax Return covering income from trades and professions, and interest, with tax deducted, from banks, building societies or deposit takers. There are other supplementary Pages covering the less common types of income, and disposals of chargeable assets.

As the partner completing the Partnership Tax Return it is your responsibility to make sure that you complete the right supplementary Pages. You must send them back to me on time with the rest of the Partnership Tax Return, otherwise each partner who was a member of the partnership during the return period will be liable to an initial automatic penalty of £100, and further penalties for continued delay.

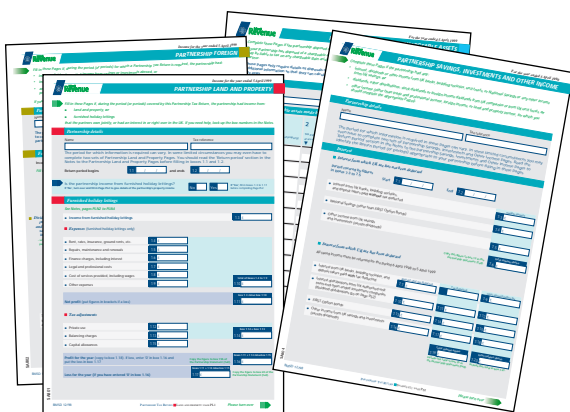
The Partnership Tax Return must be completed in full.

Phone the Orderline if you need any supplementary Pages, or any of the leaflets or Help Sheets mentioned in this Guide.

The Orderline is open from 8am to 10pm every day (except Christmas Day) on 0645 000 404. Calls are charged at the local rate. You can also order by fax on 0645 000 604, or by e-mail (saorderline. ir@gtnet.gov.uk), or in writing to PO Box 37, St Austell, PL25 5YN.

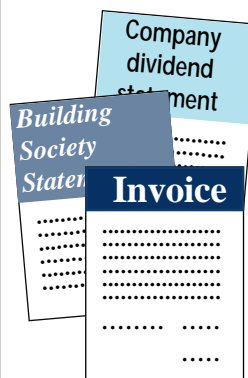
If you have a tax adviser, you may be able to send the Partnership Tax Return electronically using the Electronic Lodgement Service. Ask your tax adviser for details.

Supplementary Pages for some types of income are available from the Orderline



The Partnership Tax Return should be completed and signed by:

- the partner nominated by the other partners who were members of the partnership during the return period (or by the Tax Office), or
- the partner named on the front of the form, or
- the manager of a European Economic Interest Grouping (EEIG) registered in Great Britain or Northern Ireland, or the member to whom the Partnership Tax Return is addressed for other EEIGs.



You need to gather together information about the partnership's business, including any investments.

Do not send these financial records with the Partnership Tax Return, keep them safe.

The rest of this Guide will help you fill in the boxes in the Partnership Tax Return. If you need help ask your Tax Office or tax adviser.

Answer all the questions. If you tick No, go to the next question. If you tick Yes, fill in any Pages and boxes that apply to you.

- Write clearly using blue or black ink and only in the spaces provided.
- Use numbers only, when you are asked for amounts.
- Please do not include pence - round down income to the nearest pound and round up tax credits and tax deductions, for example, if business income is £35,000.97, enter £35,000 in box 3.16.
- Do not delay sending your Tax Return just because you do not have all the information you need - see the notes for box 10.1 on page 16 of this Guide.

If you need help, look up the question or box number in the Notes. The first part of each number shows which Question it relates to, for example, box 3.16 is one of the boxes for Question 3.

When the Tax Office is closed, phone the Helpline on 0645 000 444 for general advice (text phone is available). It is open each evening and at weekends (except Christmas Day). Calls are charged at the local rate.

Sales/business income (turnover)

3.16 £ 35,000

require more general registration, please co

• Sales/business in

box 3.16 Enter the

WHAT THE INLAND REVENUE DOES

In its dealings with you, the Inland Revenue is governed by the Taxpayer's Charter - set out on page 18 of this Guide. Page 18 also explains how to complain if you are dissatisfied with the way the Inland Revenue handles your tax affairs.

When I get your completed Partnership Tax Return I will process it based on your figures. If I see any obvious mistakes - for example in the arithmetic - I will put them right and tell you what I have done.

Once the Partnership Tax Return has been processed it will be checked. I have until 31 January 2001 to do this (later if you send the Partnership Tax Return late). I may make enquiries about the figures and ask you to send me the records from which you took them. I will also check the figures against any details received from other sources, such as your bank.

Remember, you and your partners are responsible for the accuracy of the Partnership Tax Return.

If after sending me the Partnership Tax Return you find that you have made a mistake, let me know at once. Similarly, you should correct any provisional figures as soon as you can. You will only be penalised if the Partnership Tax Return is incorrect through fraud or negligence or if there is unreasonable delay in providing corrected figures once they are known to you. Each partner who was a member of the partnership during the return period may have to pay penalties of up to 100% of the difference between the correct tax due on their share of partnership profits and the amount which would have been due on the basis of the figures returned. You and your partners could also be prosecuted.

GIVING INFORMATION TO THE PARTNERS

You should make sure that the information which individual partners need to complete their personal Tax Returns is provided to them as quickly as possible.

The Partnership Tax Return I have sent you includes the short Partnership Statement. Ask the Orderline if you need the full version.

The Partnership Tax Return includes a Partnership Statement on pages 6 and 7 for summarising the profits, losses, income and other amounts allocated to the partners.

There are two types of statement:

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

The short Partnership Statement caters for up to three partners. If there are more than three partners, photocopy page 7 before you complete it and use the photocopies. Remember to attach those photocopies to the Partnership Tax Return when you send it back to me.

Some partners may wish to send in their personal Tax Returns by 30 September 1999. Others will want to submit them by 31 January 2000. In most circumstances a copy of the Partnership Statement will be all they need to complete the Partnership Pages of their personal Return. But in some circumstances you will need to provide them with additional information. The notes to the Partnership Tax Return tell you when additional information will be required.

KEY DATES AND SUMMARY

1998

You must, by law, have kept all records.

- Failure to do so could give rise to penalties.

April 1999

You receive the Partnership Tax Return:

- check to see if you need any supplementary Pages
- find your records
- fill in the Return.

30 September 1999

It will help the partners if the Partnership Tax Return is sent by this date.

31 January 2000

This date is important for four reasons. This is the date by which:

- you must let me have the completed Partnership Tax Return
- the partners must submit their own Returns
- the partners must pay the balance of any tax they owe
- the partners must pay their first payment on account for the 1999-2000 tax year.

You must send me the Partnership Tax Return by this date to avoid automatic penalties and interest.

If the Partnership Tax Return is late and, as a result, the partners' personal Tax Returns are also late, they will have to pay interest and automatic penalties.

Example of filling in the short Partnership Statement

returned.	Start	1	7	6	97	Finish	2	31	5	98	Nature of trade	3	ACCOUNTANTS				
MIXED PARTNERSHIPS																	
Tick here if this statement is drawn up using Corporation Tax Rules				4				Tick here if this statement is drawn up using tax rules for non residents				5					
Individual partner details																	
6 Name of partner						A Partner											
Address						12 High Street Anytown Postcode AB1 2CD											
Date appointed as a partner (if during 1998-99)						7											
Partner's tax reference						8 1234567899											
Date ceased to be a partner (if during 1998-99)						9											
Partner's National Insurance number						10 AA112233CC											
Partnership's profits, losses, income, tax credits etc.																	
Tick this box if the items entered in the box had foreign tax deducted																	
• for an accounting period ended in 1998-99																	
Copy figures in boxes 11 to 29 to boxes in the individual's Partnership Pages as shown below																	
from box 3.79 Profit from a trade or profession				A		11		£ 24000		Profit		11		£ 12000		Copy this figure to box 4.7	
from box 3.80 Loss from a trade or profession				B		12		£		Loss		12		£		Copy this figure to box 4.7	
• for the period 6 April 1998 to 5 April 1999																	
from box 7.9A UK taxed interest				22		£ 200		22		£ 100		22		£ 100		Copy this figure to box 4.70	
from box 3.92 SC60 deductions made by contractors				24		£		24		£		24		£		Copy this figure to box 4.75	
from box 3.120 Other tax deducted from trading income				24A		£ 40		24A		£ 20		24A		£ 20		Copy this figure to box 4.75A	
from box 7.8A Income Tax deducted				25		£		25		£		25		£		Copy this figure to box 4.74	

Read page 17 of this Guide if the Partnership Tax Return was delivered after 31 October 1999.

If the partnership includes any member who is a company you may have until 5 April 2000 to send me the completed Tax Return. Check with your Tax Office.

Filing in the Partnership Tax Return

■ What makes up the Partnership Tax Return?

Every partnership is sent the first 8 pages covering some types of income. Answer all the questions. They will help you decide which boxes to fill in and whether you need any of the supplementary Pages for other types of income and disposals of chargeable assets. In some circumstances you may also need additional sets of Pages to return information for more than one period.

The Partnership Tax Return includes a 'short' Partnership Statement at pages 6 and 7 for summarising the profits, losses or income allocated to the partners. Complete this or the 'full' unabridged Partnership Statement as appropriate and remember to provide each partner with the information they need to complete their personal Tax Return.

● Changes in the membership of a partnership

For tax purposes, the business carried on by a partnership is regarded as continuous, despite a change in the members of the partnership, provided there is at least one partner who is a member both sides of the change. You do not need to complete a separate set of Pages simply because of a change in the membership of the partnership (although you may prefer to do so). However, you should confirm that where a partner has only been a member of the partnership for a part of the period covered by the Partnership Tax Return this fact is correctly reflected in the partner details section and profit share information provided in the Partnership Statement.

● Tax due on shares of partnership income

I will use the information in the Partnership Tax Return to check that the partners pay the correct tax and Class 4 NIC due on their share of the partnership's profits. Each partner is liable only to the tax due on his or her share of the partnership profit.

I will normally have until 31 January 2001 to decide whether an enquiry is necessary to check the accuracy of the figures in the Partnership Tax Return.

● Return period

Trading and professional income

You should return details of the partnership's trade and professional income and expenditure for the accounting period (or periods) ending on a date in the period 6 April 1998 to 5 April 1999.

If the partnership ceased during this period you should return details of the partnership's income and expenditure to the date of cessation even if the business was carried on after that time by one of the partners alone.

Savings, investments and other income

All **taxed income** should be returned for the period **6 April 1998 to 5 April 1999**. If accounts are made up for any other period, you should apportion figures in the sets of accounts which between them cover the period 6 April 1998 to 5 April 1999, (if apportionment gives a reasonable approximation of the actual figures for that period) or provide the actual figures themselves.

All **untaxed income** should be returned by entering the untaxed income of **the accounting period ended in the period 6 April 1998 to 5 April 1999**.

Foreign income

All foreign income which has had UK tax deducted (taxed income) should be returned for the period **6 April 1998 to 5 April 1999**.

All foreign income which has had no UK tax deducted (untaxed income) should be returned for the accounting period(s) ended in the period **6 April 1998 to 5 April 1999**.

Land and property income

All land and property income should be returned for **the accounting period(s) ended in the period 6 April 1998 to 5 April 1999**.

Disposal proceeds on chargeable assets

Details of disposal proceeds on chargeable assets should be returned for the period **6 April 1998 to 5 April 1999**.

■ Investment partnerships

Where, exceptionally, a partnership does not carry on a trade or profession, all income including untaxed income and income from property should be returned for the period 6 April 1998 to 5 April 1999.

If accounts are made up for any other period, you should apportion figures in the sets of accounts that between them cover the period 6 April 1998 to 5 April 1999, (if apportionment gives a reasonable approximation of the actual figures for that period) or provide the actual figures themselves.

■ A change in the residence status of a partner

Where an individual carrying on a business in a partnership wholly or partly abroad becomes or ceases to be UK resident, this person is treated as having ceased and immediately recommenced as a partner. The partnership profit must be apportioned to and from the date of change of residence, and, for the period of non-residence, the partnership profit must be apportioned between that arising in the UK and that arising overseas.

Advice on this and other foreign aspects of partnership taxation can be found in *Help Sheet IR380: Partnership tax: Foreign aspects* available from the Orderline.

Q1 Did the partnership receive any rent or other income from land and property in the UK?

If you tick the 'No' box, go to Question 2

Fill in the Partnership Land and Property Pages if the partnership received income from:

- UK land and property, or
- UK furnished holiday lettings.

Ask the Orderline for the Pages.

Q2 Did the partnership have any foreign income?

If you tick the 'No' box, go to Question 3

Fill in the Partnership Foreign Pages if the partnership received:

- interest, or
- dividends, or
- rental income, or
- other income

from overseas savings and investments. Ask the Orderline for the Pages.

Q 3 Did the partnership business include a trade or profession at any time between 6 April 1998 and 5 April 1999?

If you tick the 'No' box, go to Question 7

Otherwise fill in boxes 3.2 to 3.110 and 3.120 as appropriate. The notes starting in the next column will help.

Q 4 Did the partnership dispose of any chargeable assets?

If you tick the 'No' box, go to Question 5

Fill in the Partnership Disposals of Chargeable Assets Pages if the partnership disposed of any chargeable assets unless they were 'exempt' assets. Assets which are exempt from Capital Gains Tax include:

- motor cars
- UK government stocks and certain corporate bonds
- life assurance policies and deferred annuity contracts, unless purchased for a third party.

Ask the Orderline for the Pages.

Q 5 During the return period has the partnership included any member who is

- a company?
- not resident in the UK?
- a partner in a business controlled and managed abroad and who is not domiciled in the UK or is a Commonwealth citizen (or a citizen of the Republic of Ireland) not ordinarily resident in the UK?

If you tick the 'No' box to all three questions, go to Question 6

If your partnership includes any member who is a company, any share of partnership profits allocated to that member must be a share of profits calculated using Corporation Tax rules. Similarly, any share of profits allocated to any member who is not a UK resident must be a share of profits calculated using the rules appropriate to non-residents.

For a mixed partnership - for example a partnership whose members include both individuals and companies, or include both UK residents and non-residents - two (or more) sets of Partnership Statements and the appropriate Pages may be required. For example, one set based on Income Tax rules, the other based on Corporation Tax rules. Shares of profit allocated to the individuals will be allocated using the set based on Income Tax rules. Shares of profit allocated to the companies will be allocated using the set based on Corporation Tax rules.

Where the partnership includes a non-resident partner, two sets of Partnership Statements will generally be required, one of world-wide profits and one of UK profits. However, if the partnership is managed and controlled abroad, please return the UK profits only (although a resident partner will need to know his or her share of the overseas profit). For further guidance see *Help Sheet IR380: Partnership tax: Foreign aspects*.

However, it may be that, given the particular circumstances of your partnership, different sets of calculations made in this way do not in fact result in different figures of partnership profit. Where this is the case you need complete only one set of the relevant

Pages. Explain on page 8 of the Partnership Tax Return why the calculation makes no difference to the overall partnership profit. If you are completing this form on behalf of a mixed partnership, you should consult your tax adviser before you do so.

Q 6 Are you completing this Tax Return on behalf of a European Economic Interest Grouping (EEIG)?

If you tick the 'No' box, go to Question 7

Although a European Economic Interest Grouping (EEIG) is not generally constituted as a partnership, its taxation treatment is similar. Like a partnership, an EEIG is not itself liable for UK tax on its profits, the profits are instead taxable on the members. Accordingly, the Partnership Tax Return has been prescribed for completion by a grouping and references to partnerships should be taken as including groupings, and references to partners as including members of a grouping.

Where the grouping is registered in Great Britain or Northern Ireland, or has an establishment registered in Great Britain or Northern Ireland, its Tax Return must be made by its manager. Where there is no registration in Great Britain or Northern Ireland of an EEIG or an EEIG establishment, the Partnership Tax Return should be completed by the member to whom it is addressed.

Filing in the Partnership Trading Pages

You must fill in the Partnership Trading Pages (pages 2 to 5 of the Partnership Tax Return) if, at any time in the period 6 April 1998 to 5 April 1999, the partnership carried on a trade or profession.

In some circumstances you may have to complete more than one set of Partnership Trading Pages. You should read the notes on Return period on page 6 to identify the Return period (or periods) appropriate to your partnership before attempting to complete the Trading Pages.

If the partnership carries on a business of farming or similar business, ask the Orderline for *Help Sheet IR224: Farmers and market gardeners*. It explains methods of farm stock valuation acceptable to the Inland Revenue.

The partnership should have records of all its business transactions. You must keep these until at least 31 January 2005 and show them to the Tax Office if you are asked to do so. The booklet *SA/BK3: Self Assessment. A guide to keeping records for the self employed*, available from the Orderline, includes advice on which records to keep.

If the partnership had more than one trade or profession

You must complete a set of Partnership Trading Pages for each trade or profession carried on by the partnership. Either photocopy blank Pages you already have, or ask the Orderline for more copies.

How to fill in the Pages

Before you start

The business profit for any business is the difference between:

- turnover, other business receipts and goods taken for partners' personal use, and
- allowable business expenses.

These Partnership Trading Pages will help you work out your taxable business profit and will provide me with the information I need to process the Partnership Tax Return.

Work through the following steps for each business:

Step 1 Work out the Return period for the business using the notes below.

Step 2 Work out how many 'accounts' fall within that period.

Step 3 For each set of trading pages;

- provide business details in boxes 3.2 to 3.10
- give details of income and expenses and work out the partnership's taxable profit in boxes 3.11 to 3.13 if your annual turnover is below £15,000, or in boxes 3.14 to 3.60 if your annual turnover is £15,000 or more. Complete boxes 3.61 to 3.70 if capital allowances and balancing charges are included in boxes 3.12 and 3.11 or 3.57 and 3.55.
- enter the partnership's taxable profit or loss on page 4
- fill in boxes 3.92, 3.110 and 3.120 as appropriate
- provide information about your business assets or liabilities in boxes 3.93 to 3.109 (if you have a balance sheet).

The notes will help you. They use some technical terms such as 'trade', 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. There is also a Glossary of terms on page 12.

■ Providing details of income and expenses

For most businesses the information on the Partnership Trading Pages will enable a full and fair picture of your business to be presented. If there are any points needing further explanation, provide details in the 'Additional information' box on page 8 of the Partnership Tax Return. You do not need to send me any accounts. In some larger or more complex businesses additional information given on the Partnership Trading Pages may not be enough to provide a full and fair picture of your business. The submission of further information, including perhaps accounts or supporting calculations, may be considered necessary. For example where:

- a large business has a substantial turnover, **or**
- a business is complex (perhaps because it is a highly specialised trade), **or**
- accounts or computations are required for a proper understanding of the figures.

If your annual turnover is £15,000 or more, you must complete page 3 of the Partnership Tax Return as well, and page 5 if you have a balance sheet. If your annual turnover exceeds £15 million read the note on page 8 'Income and expenses - annual turnover of £15,000 or more'.

If you do not have accounts

Even if you do not have accounts prepared for your business each year, your taxable profit should still be worked out using generally accepted accountancy principles. These notes will help. For further advice on how your profits are taxed, what to include in your turnover and what expenditure is allowable for tax, ask the Orderline for *Help Sheet IR222: How to calculate your taxable profits*. You will come across the terms '**accounting period**' and '**accounting date**' in both the notes to the Partnership Tax Return and certain Help Sheets. If you do not have accounts prepared for your business you should read:

- '**accounting period**' to mean the period for which you provide details of your business income and expenses, **and**
- '**accounting date**' to mean the date on which that period ends.

If you do have accounts

Accounts are prepared for a variety of reasons and in a variety of ways and it may not be immediately obvious where, in the

Partnership Tax Return, you should enter some of your figures. *Help Sheet IR229: Information from your accounts* gives practical help on filling in the Partnership Trading Pages, including some worked examples.

In some situations you may need to combine or divide the figures to fit the standard format. It is quite possible that there may be more than one acceptable way of doing so. Whichever method is adopted, you should try to be consistent from one year to the next. If you want to explain any figures in more detail make a note in the 'Additional information' box on page 8 of the Partnership Tax Return.

Make sure that you transfer all the entries from your accounts, and that you include them once only. Do not bring in any amounts which are not included in your accounts unless they are needed to calculate your taxable profit or were excluded in error from your accounts; include any such amount other than partners' personal expenses in box 3.58, and explain why the entry is necessary in the 'Additional information' box on page 8 of the Partnership Tax Return (for the treatment of partners' personal expenses see page 7).

If the partnership has a single set of accounts which cover more than one business, you should transfer the figures to one set of Partnership Trading Pages, but then deduct the income and disallow the expenses relating to any business other than the main business and include that income and expenses in a separate set of Partnership Trading Pages for each of your other businesses.

Provisional figures

I would normally expect you to complete the income and expenses section of the Partnership Trading Pages with the final and correct figures of income and expenses. If despite your best efforts you are unable to do so, please read the notes on page 16 of this Guide which explain the exceptional circumstances in which Returns containing provisional figures may be accepted.

If it is actually impossible to provide final or even provisional accounts information from which your taxable profit is to be calculated before the latest date for sending the Partnership Tax Return, you should provide an estimate of your taxable profit in box 3.79 and tick box 3.72A. I would expect there to be very few such circumstances. The one common circumstance would be where, in the case of a newly commenced business, the first accounting period does not end until close to, or after, the statutory filing date. By 'close to' I mean within 3 months of the filing date.

If you have estimated your taxable profit or have included one or more provisional figures tick box 10.1 on page 8 of your Tax Return, and explain in the 'Additional information' box why you cannot provide final figures. Give a date by which you expect to do so.

Other estimates (including valuations)

In some situations you may need to provide an estimated figure or valuation which you do not intend to amend at a later date. If so, read the notes on page 16 of this Guide.

■ Partnership and business details

■ Return period

You should provide details of the partnership's income and expenses for the accounting period(s) ended in the period 6 April 1998 to 5 April 1999.

If the partnership had more than one account ended in 1998-99

You may need to complete a set of Partnership Trading Pages for each period of account.

You should always complete an additional set of Pages if the reason for the additional accounting period is a change in the partnership's annual accounting date. Either photocopy blank Pages you already have or ask the Orderline for more copies.

Where the annual accounting date is unchanged the accounting periods, when added together, will cover a normal 12 month period. In such circumstances you may, if you wish, complete a single set of Pages for that 12 month period by combining the accounts information required at boxes 3.11 to 3.13 or boxes 3.14 to 3.60. Otherwise you should complete a separate set of Pages for each accounting period.

If the partnership is a subcontractor in the building industry and you have to fill in more than one set of Partnership Trading Pages make sure you complete box 3.92 (for SC60 deductions) on the Pages for the most recent set of accounts.

If no accounts end in 1998-99

You should try to ensure that there is at least one accounting period ending in 1998-99. If you do not, the partners will have to use estimates to calculate their tax liability for 1998-99 and could end up being charged interest if the estimates are too low.

If no account ends in 1998-99 (for example, because there has been a change in the partnership's annual accounting date) you should tick box 3.5A and complete boxes 3.2, 3.7 to 3.10, 3.92, 3.110 and 3.120 as appropriate. You should leave the other boxes blank and explain why in the 'Additional information' box on page 8 of the Partnership Tax Return.

■ Changing between self-employment and partnership

If, during the year ended 5 April 1999 a trade or profession carried on in partnership was previously or is subsequently carried on by one of the members of the partnership as a sole trader, you should follow the guidance below:

- fill in boxes 3.11 to 3.13 or 3.14 to 3.60 and 3.61 to 3.110 and 3.120, as appropriate, in this Partnership Tax Return, for any period of account ending in the year to 5 April 1999 during any part of which the business was carried on in partnership. This will enable the allocation of partnership profits or losses to be made in the Partnership Statement.

If the partnership ceased between the accounting date in 1998-99 and 5 April 1999, **and**

- one of the members of the partnership carried on the business thereafter as a sole trader, **and**
- accounts covering the period up to the date the partnership ceased were drawn up to a date after 5 April 1999,

in addition to completing a set of Partnership Trading Pages for the accounting period ended in 1998-99 also complete a set of Partnership Trading Pages for the accounting period ended in 1999-2000 which covers both the period to the date the partnership ceased and the period thereafter when the business was carried on by a sole trader.

For any accounting periods ended in 1998-99 during which this business was carried on exclusively by a sole trader, boxes 3.11 to 3.70 and 3.93 to 3.109 should be completed in the Self-employment Pages of that person's Tax Return.

Where the partnership's business was previously or is subsequently carried on by one of the partners on their own, enter the date of the change in box 3.9 or 3.10 of the Partnership Tax Return, as appropriate.

box 3.2 Make sure you complete this box for each set of Partnership Trading Pages you need to submit.

boxes 3.4 and 3.5 Enter the details of the period to which the information at boxes 3.11 to 3.13, or alternatively boxes 3.14 to 3.60, relates.

box 3.5A Tick box 3.5A if you are not required to complete boxes 3.11 to 3.80 and 3.93 to 3.109. You are not required to complete these boxes if any of the following applies:

- no accounts end in 1998-99 (see note above), **or**
- the partnership has succeeded to a business previously carried on by a sole trader and the accounts information has been included in that person's Tax Return (see note above), **or**
- the partnership's annual turnover exceeds £15 million (see the note on page 8 'Income and expenses - annual turnover of £15,000 or more').

box 3.7 Tick box 3.7 if the partnership's accounts do not cover the period from the last accounting date. Explain why in the 'Additional information' box on page 8 of the Partnership Tax Return.

boxes 3.8A and 3.8B There are special rules where a partnership changes its accounting date. Tick box 3.8A if your accounting date has changed and this is a permanent change which you wish to count for tax. Tick box 3.8B (as well as box 3.8A) if this is the second or further change in the partnership's accounting date since 5 April 1994 and explain why this change has been made in the 'Additional information' box. The special rules are explained in *Help Sheet IR222: How to calculate your taxable profits*, available from the Orderline.

box 3.9 If the partnership trade or profession started after 5 April 1996, you should enter the start date. If your accounting date has changed since then, ask the Orderline for *Help Sheet IR222: How to calculate your taxable profits*.

box 3.10 If the trade or profession was **sold or closed down** before 6 April 1999, you should enter the date it ceased in box 3.10. If this is not the same as the date in box 3.5 you must complete another set of Partnership Trading Pages to show the trading results for the remaining period.

● Partners 'personal' expenses

In some types of partnership, for example medical practices, partners will often incur expenditure personally, while carrying on the trade or profession on behalf of the partnership. For example, motoring expenses, or rental costs. Because these sums are not directly reimbursed from partnership funds they do not appear in the partnership accounts. But the partnership agreement will provide that these 'personal' expenses should be taken into account in the profit sharing arrangement.

If relief is to be given for any expenses incurred under this type of agreement, the expenses must be included in the relevant entries made in boxes 3.12 or 3.38 to 3.50 where necessary by aggregation with similar expenditure met from partnership funds.

It will not be possible for an individual partner to claim relief for the expenditure in their personal Tax Return. But you can ensure that the partner receives the benefit due under the partnership agreement by making a 'fixed adjustment' when allocating shares of profit (see the guidance starting on page 13 of this Guide).

Similarly, capital allowances may be due on an asset which is owned by a partner but which is used in the partnership trade or profession (unless the asset is leased to the partnership). Again, these allowances must be included in the entries made in boxes 3.61 to 3.70 and reflected in boxes 3.55 and 3.57. (You may also need to make corresponding adjustments to the entries in boxes 3.106 to 3.108 – see page 11 of this Guide.)

Example 3

Dr Robert is a member of a partnership carrying on business as medical practitioners. He incurs the following expenses when conducting the partnership's business:

Use of home as office £1,000

Motor expenses £2,000

Also, a writing down allowance of £750 is due on a car which he owns but which he uses for the business. The figure of £1,000 should be included in box 3.39; £2,000 in box 3.42 and £750 in box 3.61 and box 3.57.

A corresponding 'fixed adjustment' (– £3,750) should be made when allocating profit to Dr Robert (see guidance starting on page 13 of this Guide).

Income and expenses - annual turnover below £15,000

If the annual turnover (excluding any balancing charges) is below £15,000 for a full year, you may fill in the special, shortened income and expenses section on page 2 of the Partnership Tax Return (boxes 3.11 to 3.13) instead of boxes 3.14 to 3.60 on page 3.

But you must fill in one section or the other, and complete boxes 3.62 to 3.70 if you have any balancing charges, and boxes 3.61 to 3.69 if you are claiming capital allowances.

box 3.11

Enter your turnover and any other taxable business receipts in box 3.11. You will also need to include the normal selling price of all goods which the partners have taken out of the business for their personal use or for their families or friends *minus* any sum paid into the business for the goods taken out. This is because any sum paid into the business should already be included in the turnover figure, like other sales. Include any balancing charges (from box 3.70).

box 3.12

Enter your allowable business expenses in box 3.12. Make sure you do not include in your expenses any items which are not allowable against tax (the table on page 9 will help you decide). Include any capital allowances (from box 3.69).

box 3.13

Subtract the figure in box 3.12 from box 3.11 and enter the result in box 3.13 (enter a loss in brackets).

Income and expenses - annual turnover of £15,000 or more

If the annual turnover is £15,000 or more, you must fill in boxes 3.14 to 3.60 on page 3 unless your annual turnover exceeds £15 million. In this case you should complete only boxes 3.16, 3.60, 3.79 or 3.80, 3.92, 3.110 and 3.120 and send the partnership accounts and computations with the Partnership Tax Return. But you must complete any supplementary Pages required and a Partnership Statement.

Value Added Tax

boxes 3.14 and 3.15

If the partnership is not registered for VAT, your sales figure will not include any VAT. Expenses in boxes 3.17 to 3.51 should include VAT. There is no need to tick either box 3.14 or 3.15.

If the partnership is registered for the VAT Agricultural Flat Rate Scheme, include any flat rate additions charged to customers in the sales figure. Expenses should include VAT. There is no need to tick either box 3.14 or 3.15.

If the partnership is registered for VAT, you may enter details of your business income and allowable expenses either all net of VAT or all inclusive of VAT. Where you adopt the latter approach, then either your net payment to Customs and Excise should be included as an expense in box 3.50 or any net repayment you receive from Customs and Excise should be included as a taxable receipt in box 3.37. Tick either box 3.14 or box 3.15 to show whether entries in boxes 3.16 to 3.51 include or exclude VAT.

If the partnership registered for VAT during the period, the expenses up to that date should include VAT regardless of whether later sales and expenses are recorded VAT inclusive or exclusive. Tick box 3.14 and include the following details in the 'Additional information' box on page 8:

- a note that the partnership registered for VAT during the period
- the date of registration
- whether sales and expenses from the registration date are VAT inclusive or exclusive.

If the partnership is registered for VAT and the goods you supply are zero rated (so that your sales figure does not include any VAT), tick either box 3.14 or box 3.15 to show whether entries in boxes 3.17 to 3.51 include or exclude VAT.

Similar action is required if the VAT registration was cancelled during the period, except that the details to appear in the 'Additional information' box should refer to the date of deregistration and whether sales and expenses before that date

are VAT inclusive or exclusive. Expenses from the deregistration date should include VAT.

If the partnership is registered for VAT but treated by Customs and Excise as partly exempt, for the purposes of calculating the taxable profits, business expenditure includes any input tax which is not claimable. Where you complete boxes 3.16 to 3.51 on a VAT inclusive basis the inclusion of your net payment to, or net repayment from, Customs and Excise in boxes 3.50 and 3.37 respectively will reflect this. However, if you complete the boxes on a VAT exclusive basis please ensure that the figures of expenses you enter include any relevant input tax not claimed for VAT purposes.

The computation of the net payment to (or repayment from) Customs and Excise may have included VAT on capital items purchased during the year. For example, on assets or rights which are of lasting use to the business and which are not bought or sold as part of the ordinary trading operations. Examples might include business premises, plant, machinery, vehicles and trade rights. If you enter details of your income and expenses inclusive of VAT, make a note of the VAT on those capital items in the 'Additional information' box on page 8 of the Partnership Tax Return. Add that amount to the net payment to Customs and Excise which you include as an expense in box 3.50, or deduct it from the net repayment you include as a taxable receipt in box 3.37.

If you are in any doubt about the correct treatment of VAT, please contact your Tax Office or tax adviser, for advice. Should you require more general guidance on VAT issues, for example registration, please contact your local Customs and Excise Office.

- Sales/business income (turnover)

box 3.16

Enter the amount of your turnover in box 3.16. If it includes income from which tax has been deducted, enter in boxes 3.92 or 3.120, as appropriate, the total tax deducted between 6 April 1998 and 5 April 1999.

Business expenses

boxes 3.17 to 3.50

You should include all your business expenses in boxes 3.33 to 3.35 and 3.38 to 3.50.

Some of the amounts you put in boxes 3.33 to 3.50 may not be allowable for tax. As you enter them, enter any disallowable amounts in boxes 3.17 to 3.32. Enter in box 3.53 the total of these disallowable amounts.

The disallowable amounts may be expenses which are not allowable at all for tax (such as entertainment expenses and depreciation of fixed assets) or the disallowable part of expenses (such as motor expenses, if the vehicle is used for private as well as business mileage).

Example 4

The total motor expenses included in box 3.42 were £3,000 and one-third of the mileage is private. You can only claim against tax two-thirds of the cost, that is £2,000. Enter the private use proportion of £1,000 in box 3.24.

Some small businesses can calculate car expenses using a fixed rate per business mile rather than actual costs. Details and conditions are in *Help Sheet IR222: How to calculate your taxable profits*.

If any of the amounts in boxes 3.33 to 3.35 and 3.38 to 3.50 are recoverable under an insurance, such amounts should be included in the disallowable expenses to be entered in boxes 3.17 to 3.32. **However**, there is no need to do this if you have included that insurance recovery in turnover (box 3.16) or under other income (box 3.37).

Use the table on page 9. It provides further information on how to fill in the boxes.

Filling in the Partnership Tax Return - continued

■ Business expenses

This table will help you decide what business expenses to include in boxes 3.33 to 3.50. It also gives some examples of expenses which cannot be claimed in working out business profits for tax purposes.

● Disallowable expenses

• Cost of sales	box 3.17	Fuel expenses attributable to non-business use of vehicles.
• Construction industry subcontractor costs	box 3.18	Any payments made relating to non-business work.
• Other direct costs	box 3.19	Depreciation of fixed plant.
• Employee costs	box 3.20	Partners' salary and drawings from the business. The partners' pension payments and other benefits. The partners' National Insurance Contributions.
• Premises costs	box 3.21	Non-business part of premises costs used partly for business use. Costs of acquiring premises.
• Repairs	box 3.22	Non-business part of repairs, renewals and general maintenance of premises and machinery used partly for business. Costs of alteration, improvements or replacements to business premises.
• General administrative expenses	box 3.23	Partners' private and personal expenses. Non-business part of costs used partly for business, payments to political parties. Most payments to clubs, charities or churches. The partners' insurance.
• Motor expenses	box 3.24	Non-business motoring. Travel between home and business. Costs of buying vehicles (but capital allowances can be claimed). Parking and other fines.
• Travel and subsistence	box 3.25	Meals (except the reasonable cost of meals on overnight business trips).
• Advertising, promotion and entertainment	box 3.26	All entertaining and hospitality, except the costs of entertaining staff, and gifts (not food or drink) of up to £10 per person per year which advertise your business.
• Legal and professional costs	box 3.27	Costs of settling tax disputes, legal costs of buying fixed assets (these are treated as part of the cost of the fixed asset). Costs and fines or penalties for breaking the law.
• Bad debts	box 3.28	General bad debts reserve. Debts that were not taxed when they arose, for example, because they relate to a sale of a fixed asset.
• Interest	box 3.29	Repayment of the loan or overdraft.
• Other finance charges	box 3.30	Repayment of the loan or overdraft.
• Depreciation and loss/(profit) on sale	box 3.31	Generally, depreciation and losses on assets are not allowable for tax, and profits on assets are not taxable receipts. Any figure in box 3.49 should be cancelled by putting the same figure in box 3.31. However, to the extent that any of these items are attributable to assets held under finance leases a different treatment may be appropriate. If you are in any doubt about the correct treatment, ask your Tax Office or tax adviser.
• Other expenses including partnership charges	box 3.32	The non-business part of expenses in box 3.50. Ordinary, everyday clothing even if bought specially for business use.

■ Total expenses

box 3.33	If the business involves the resale or consumption of raw materials, enter here the cost of the goods used; that is, purchases plus opening stock/work-in-progress <i>minus</i> closing stock/work-in-progress. So, for example, subcontractors in the construction industry should include here the cost of any materials supplied. And taxi drivers, minicab drivers etc. and those in the road haulage industry should enter fuel expenditure in this box rather than elsewhere. Businesses providing services commonly adjust their business profits to reflect work-in-progress at the start and end of the period of account. If an adjustment of this sort is appropriate, make it here; otherwise leave the box blank. If the figure is negative, enter it in brackets.
box 3.34	Include all payments to subcontractors in the construction industry. Enter the amount before deduction of tax if any payments have been made to uncertificated subcontractors.
box 3.35	Expenses deducted to arrive at gross profit, for example, discounts allowed, commissions payable, carriage and, in manufacturing businesses, the costs of producing goods sold such as direct labour costs, depreciation of fixed plant, machine hire, small tools and consumables. If the business provides services, it may incur rechargeable expenses, which are deducted to arrive at a figure of gross profit.
box 3.38	For example, salaries, wages, bonuses, pensions, benefits, employer's NIC etc. for permanent, temporary and casual employees, and other staff-related costs such as canteen expenses and recruitment agency fees etc. Any subcontract labour costs, including locum fees, not included elsewhere should be included here.
box 3.39	For example, rent, business rates, water rates, light, heat, power, property insurance, security and other similar expenses. If accounts contain an amount for 'use of home', include that figure here.
box 3.40	For example, repairs and renewals, general maintenance of business premises and machinery.
box 3.41	For example, telephone, facsimile, postage, stationery and printing costs, courier services, together with general office expenses, the costs of trade or professional journals and subscriptions etc., costs of insurance not included elsewhere and other similar recurring costs which arise in running the business.
box 3.42	For example, insurance, servicing, repairs, Vehicle Licence, petrol or diesel, hire and leasing charges, parking charges, AA/RAC membership.
box 3.43	For example, all travel costs other than those included in motor expenses, such as rail, air and taxi fares, together with hotel accommodation costs and subsistence or similar costs.
box 3.44	For example, the ordinary day to day costs of advertising and promoting the business goods or services, such as newspaper advertisements, mailshots and the distribution of free samples of the goods dealt in. Entertainment.
box 3.45	For example, accountant's, solicitor's, surveyor's, architect's, stocktaker's and other similar costs, together with professional indemnity insurance premiums and the like.
box 3.46	The amount of money owed to the partnership for goods sold or work done that has been included in turnover but remains unpaid at the accounting date and which you consider you will never receive. If, unexpectedly, you do recover the amount in a later year, make sure you include it in box 3.37 in that later year's Partnership Tax Return.
box 3.47	Interest on bank and other loans (including overdrafts).
box 3.48	For example, bank charges, credit card charges, hire purchase interest, and leasing payments, together with other similar costs not included elsewhere.
box 3.49	Add together depreciation and losses on sales of assets, and deduct profits on sales of assets that are included in your accounts, and enter the resulting figure in the box. Where the profit on disposal of an asset exceeds the total of any losses on disposal and depreciation added together, show such a figure in brackets. A figure in brackets is to be deducted when you add up your total expenses. If you sold assets at a profit, you should consider whether you need to show a disposal in the Partnership Disposal of Chargeable Assets Pages.
box 3.50	Add up all the expenses not included elsewhere and enter the total figure.

Other income/profits

box 3.37

Enter in box 3.37 any business income which you did not include as turnover in box 3.16. Examples might include rental income, interest from a business bank or building society account, discounts received and so on. If you are including this income in a different place on the Partnership Tax Return make sure you deduct it at box 3.58. For example, bank interest included on page 5 of the Partnership Tax Return should not be included in the net business profit or loss shown in box 3.60.

box 3.50

Partnership charges

Amounts paid under an annuity or covenant are not allowable as an expense for tax purposes, even if paid for wholly commercial reasons in connection with the partnership trade or profession. Any such amounts should be disallowed by making an appropriate entry in box 3.32.

However, individual partners can claim relief for their shares of any trade charges paid during the period 6 April 1998 to 5 April 1999 (but only charges paid for wholly commercial reasons in connection with the partnership trade or profession). Read the guidance for box 3.110.

Other expenses

Add up all the expenses in the accounts not included elsewhere and enter the total figure.

Additional information

Use the 'Additional information' box on page 8 of the Partnership Tax Return if you want to explain any of your figures in more detail. For example:

- particulars of any significant or unusual items (either income or expenditure) included in the figures, **or**
- details of receipts or expenditure connected with the business which for any reason are not included in the figures, **or**
- an explanation of any tax adjustment to the net profit where the reason is not apparent from these figures, **or**
- an explanation of any items which are not included in Standard Accounts Information, but which affect the taxable profits.

This may avoid any unnecessary enquiries being made. Further guidance is in *Help Sheet IR229: Information from your accounts*.

Tax adjustments to net profit or loss for this accounting period

box 3.53

Enter in box 3.53 the total of disallowable expenses included in boxes 3.17 to 3.32.

box 3.54

You should also make adjustments for goods which the partners have taken out of the business for their personal use or for their families or friends. Enter in box 3.54 the normal selling price of all goods taken out for such use, *minus* any sum paid into the business for the goods and which you have already included in the turnover in box 3.16.

box 3.58

You should make adjustments (deduct from a profit or add to a loss) in box 3.58 for any amounts you took into account in arriving at the partnership's net profit or loss but which are either not taxable receipts or are not taxed as profits from the partnership's trade or profession. Remember that any taxable income you include in box 3.58 must be included in the appropriate part of the Partnership Tax Return.

Capital allowances and balancing charges

boxes 3.55, 3.57 and 3.61 to 3.70

In working out the partnership's taxable profits you must not deduct:

- the cost of buying, altering or improving fixed assets, **or**
- depreciation or any losses which arise when the partnership sells them.

Instead, the partnership can claim tax allowances called capital allowances. These are deducted in working out the partnership's profits and should be included in box 3.57 (or box 3.12).

An adjustment, known as a balancing charge, may arise when the partnership sells an item, gives it away or stops using it in its business. These are added to the partnership's profits and should be included in box 3.55 (or box 3.11). You should complete a separate series of boxes 3.61 to 3.70 for each set of Partnership Trading Pages you complete. Separate capital allowances calculations are required for each of the partnership's accounting periods.

If the partnership has a tax adviser, ask how to calculate capital allowances and balancing charges.

If the partnership does not have a tax adviser, or you want to check their calculation, ask the Orderline for *Help Sheet IR222: How to calculate your taxable profits*.

Taxable profit or loss for this accounting period

box 3.72A

If you are unable to complete the income and expenses section because it is impossible to prepare the figures to arrive at the taxable profit before the date for sending the Partnership Return, tick box 3.72A and provide an estimate of the taxable profit in box 3.73. Read the notes on pages 6 and 16 of this Guide, tick box 10.1 on page 8 of the Partnership Tax Return and explain in the 'Additional information' box why you cannot provide final figures. Give a date by which you expect to be able to do so.

box 3.73

Copy the figure in box 3.13 or box 3.60, whichever is appropriate, to box 3.73. If a loss put the figure in brackets.

boxes 3.79 and 3.80

If box 3.73 is a profit enter the amount of the profit in box 3.79 and '0' in box 3.80.

If box 3.73 is a loss enter '0' in box 3.79 and the amount of the loss in box 3.80.

SC60 deductions

box 3.92

If the partnership is a subcontractor in the building industry, it may have received some payments under the Construction Industry Tax Deduction Scheme. If it has, you should enter in box 3.92 the total of the deductions made on account of tax from payments made to the partnership **during the period 6 April 1998 to 5 April 1999**. If you are completing more than one set of Partnership Trading Pages enter this information on the Pages for the most recent set of accounts.

The tax deductions should be shown on SC60s, which the partnership should have received from the contractor(s) for whom it worked, and these forms should be sent with the Partnership Tax Return. If you have not received forms SC60, you should ask the contractor(s) for whom the partnership worked to provide them. If you cannot get an SC60, please give details of the dates and the amounts the partnership was paid, the tax deductions and the name and address of the contractor(s) in the 'Additional information' box on page 8 of the Partnership Tax Return.

Summary of balance sheet

boxes 3.93 to 3.109

If the partnership's accounts include a balance sheet, copy the entries to the appropriate boxes. If the partnership does not have a balance sheet or its turnover was less than £15,000 leave these boxes blank.

Make sure that you have transferred all the figures to the summary in boxes 3.93 to 3.109 and that each is included once only. Do not bring in any figures not appearing in the balance sheet (unless making an adjustment for partners' personal expenses – see below).

You should use your judgement to transfer the figures from the accounts to the most appropriate boxes. Depending on the circumstances of the business, certain elements in the balance sheet may appear as assets or as liabilities. For example, a bank account with business funds in it will be an asset while an overdrawn account will be a liability. For the former enter the balance in box 3.97, while if the account is overdrawn that balance should be entered in box 3.101.

Other elements which might be affected in this way are most commonly the Capital Account balances and the net profit or loss.

Where a balance on the Capital Account is overdrawn or the business made a net loss in the year you should enter the amount in brackets. The total figures for all the partners should be given here.

The figure of net profit or loss appearing in the balance sheet should be the same as that you entered in box 3.52 for the same period.

The figure for net business assets in box 3.104 should equal the figure for the balance of the Capital Account at the end of the period (box 3.109).

Where partners' personal expenses have been included in arriving at the figure of net taxable profit or loss, and these expenses have not been included in the partnership's accounts, you should either:

- make corresponding adjustments to figures returned in boxes 3.106 to 3.108, or
- use the accounts figures in boxes 3.106 to 3.108 and provide a reconciliation in the 'Additional information' box on page 8 of the Partnership Tax Return.

Partnership trade charges

box 3.110

Although amounts paid under an annuity or covenant are not allowable as a partnership expense for tax purposes, individual partners can claim relief for their shares of any trade charges actually paid during the tax year. Enter in box 3.110 the net amount of charges paid for wholly commercial reasons in connection with the partnership trade or profession during the period 6 April 1998 to 5 April 1999. That is the net amount paid after deduction of tax.

The amount entered in box 3.110 must be separately identified in the Partnership Statement.

Tax deducted from trading income

box 3.120

Enter in box 3.120 any tax deducted from amounts returned as trading income (excluding deductions made by contractors on account of tax) between 6 April 1998 and 5 April 1999. If you are completing more than one set of Partnership Trading Pages enter this information on the Pages for the most recent set of accounts.

Foreign income and tax credits

If any of the income included in the entries in boxes 3.13 or 3.60 includes amounts which have been taxed abroad, the partners may be able to claim a credit against their UK tax bill. An essential feature of the allowance of relief for foreign tax paid is the need to separately identify each and every item of the partnership's overseas income.

Example 5

An entry in box 3.60 showing UK taxable trading profits of £150,000 may include:

Nature of income	Foreign profits	Foreign tax paid or suffered
Trading profits (Country A)	£25,000	£8,500
Trading profits (Country B)	£15,000	£4,000
Trading profits (Country C)	£17,500	£5,000

The amount of foreign income may be estimated, for example in proportion to turnover, or a more precise calculation may be made, using the actual expenses incurred in earning overseas receipts.

Each partner will have to be allocated a share of each item of foreign income (and the associated foreign tax credit) in proportion to their share in the total profit shown at box 3.13 or 3.60.

Example 6

If a particular partner had a one-fifth share in trading profits the partner's share of the items shown above would be:

Nature of income	Share of foreign profits	Share of foreign tax paid or suffered
Trading profits (Country A)	£5,000	£1,700
Trading profits (Country B)	£3,000	£800
Trading profits (Country C)	£3,500	£1,000

If the partnership has any foreign trading or professional income which has been taxed abroad, give a detailed analysis in the 'Additional information' box on page 8 of the Partnership Tax Return.

Professions and vocations on a 'cash' basis

If the partnership is carrying on a profession or vocation you may have used a 'cash' or 'conventional' basis to calculate the profits last year. Examples are:

- bringing in receipts only when received, and/or expenses only when paid, so that there are no debtors and/or creditors
- bringing in receipts only when bills have been issued, rather than when the work has been completed
- not bringing in anything on account of work in progress.

If you calculated the profits this way last year then you can use the same method this year. Most people who have used this method of calculating profits will not be allowed to do so for accounting periods beginning after 6 April 1999 and no one apart from certain barristers or advocates can have started using it after 17 March 1998.

Transfer of information to the Partnership Statement

The partners need to know their share of certain of the entries in the Partnership Trading Pages when calculating the tax due on their shares of trade and professional income.

Transfer:

- the amount of any net profit in box 3.79 to box 11
- the amount of any net loss in box 3.80 to box 12
- the amount of the deductions made on account of tax (SC60) in box 3.92 to box 24
- the amount of any partnership charges in box 3.110 to box 29
- the amount of any tax deducted from trading income in box 3.120 to box 24A.

If you want to allocate these figures between the partners at the same time, read pages 13 to 15 of this Guide before you do so. Otherwise move on to Question 7.

Glossary

Accounting date The date to which the partnership accounts are drawn up or, if you do not have accounts, the date to which you have provided details of your business income and expenditure.

Accounting period The period for which the partnership accounts are drawn up, or, if you do not have accounts, the period for which you have provided details of your income and expenditure.

Balancing charges Withdrawal of some or all of the capital allowances previously given. They arise when fixed assets stop being used in your business.

Capital allowances Allowances against tax for the cost of certain fixed assets.

Fixed assets are your assets such as buildings, plant and machinery, vehicles, etc. that you use in the business but do not buy and sell as part of your ordinary trading operations. For example, if the partnership carried on the business of plumbing, the van and your tools are fixed assets but your pipes, boilers, etc. are not (they are stock). The cost of buying fixed assets is called capital expenditure.

Stock Raw materials used in your business and goods bought for resale which you have on hand.

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 carried on a trade, profession or vocation during 1998-99, ask your Tax Office or tax adviser.

Trade creditors Money the partnership owes other businesses for goods or services you have received but not paid for at your accounting date.

Trade debtors Money the partnership is owed for goods you have sold or work you have done that is included in turnover but remains unpaid at your accounting date.

Turnover is all the money earned by your business before deducting any business expenses. It includes receipts in cash or in kind for goods sold or work done, commission fees receivable, tips, insurance proceeds for stock and loss of profits etc. But it does not include Business Start Up Allowance (or Enterprise Allowance) which each partner should include separately in their personal Tax Return. Do not include amounts received from the sale of capital items, that is, assets which are of lasting use to the business, such as business premises, plant, machinery and vehicles.

Turnover should be brought into your accounts when it is earned, even if the partnership did not receive the money until later. Amounts you have earned but not received by the accounting date - the partnership trade debtors - should therefore be counted as turnover. This will include goods the partnership had delivered or services the partnership had completed by the accounting date, even if the partnership had not issued a bill by then. **But make sure you do not count money the partnership received in this period that was included as turnover in an earlier period when it was earned.**

Work in progress Partially manufactured stock the partnership has on hand or partially completed work on contracts under which the partnership provides its service.

Q7

Did the partnership receive any other income which you have not already included elsewhere in the Partnership Tax Return?

If you tick the 'No' box, go to the Partnership Statement on page 6

Otherwise, check the following lists to see whether the income should be included in the Partnership Tax Return.

Exclude:

- Premium Bond, National Lottery and gambling prizes
- accumulated interest on National Savings Certificates, including index-linked certificates
- interest awarded by a UK court as part of an award of damages for personal injury or death

- receipts under a permanent health insurance policy. Only those that are trading receipts because they are to meet the sick pay of employees should be included
- gains on UK life assurance policies, life annuities or capital redemption policies, even if the policy or contract was effected by, or is in the partnership's name. The special rules for taxing these gains means that each partner's share of the gain should be shown on their personal Tax Return. If you need further help ask your Tax Office or tax adviser
- accrued income on transfer of securities
- profits from selling certificates of deposit.

Include:

- interest from UK banks, building societies or deposit takers
- interest from savings held at an overseas branch of a UK bank or building society
- interest distributions from UK authorised unit trusts or UK open-ended investment companies
- income from National Savings
- FIRST Option Bonds
- other savings income, annuities, relevant discounted securities
- dividends from UK companies and UK authorised unit trusts or UK open-ended investment companies
- other distributions
- UK scrip dividends
- foreign income dividends from UK companies and UK authorised unit trusts or UK open-ended investment companies
- other income of the partnership which is not included elsewhere in the Partnership Tax Return.

If the partnership has:

- received cash as a result of a merger of two or more building societies, **or**
- received cash, or been issued with shares, or received both cash and shares, as a result of either
 - a conversion of a building society to a company, **or**
 - a take-over of a building society by a company,

there may be liability to either Income Tax or Capital Gains Tax. The building society may be able to tell you whether there is any tax liability. If not, you should ask your Tax Office or tax adviser.

If the partnership received cash, then:

- if the payment is liable to Income Tax (which is likely if it received it following a building society merger), enter it in boxes 7.7 to 7.9 (or boxes 7.7A to 7.9A). If you are not sure whether the amount is liable to Income Tax, include it in boxes 7.7 to 7.9 (or boxes 7.7A to 7.9A) then tick box 10.1 on page 8 of the Partnership Tax Return and give full details of the payment in the 'Additional information' box
- if the payment is liable to Capital Gains Tax (which is likely if the partnership received it following a conversion or take-over of a building society), details of that sum should be given in the Partnership Disposal of Chargeable Assets Pages.

If the partnership received shares following a building society take-over or conversion, then you may need to supply details only when it disposes of those shares. Ask your Tax Office for details.

Filling in the boxes

If the partnership's only other income is interest paid with tax deducted by a bank, building society or other deposit taker, fill in boxes 7.7A to 7.9A on page 5. Otherwise ask the Orderline for the full Partnership Savings Pages and complete those instead.

■ Interest paid with tax deducted

The Return period for all taxed income is the period 6 April 1998 to 5 April 1999.

boxes 7.7A to 7.9A

Interest is generally paid after tax is deducted. The partnership's bank, building society or deposit taker's statement or pass book will usually show you the amount of interest after tax, the amount of tax deducted and the amount of interest before tax deducted. Add up the amounts for the year ended 5 April 1999 for all the partnership's accounts. Enter the totals in boxes 7.7A, 7.8A and 7.9A. If you do not have the information, you should ask the bank etc, in writing, to provide the partnership with a tax deduction certificate.

Copy the figure in box 7.9A to box 22 of the Partnership Statement on page 6.

Copy the figure in box 7.8A to box 25 of the Partnership Statement.

Filling in the Partnership Statement

The Partnership Tax Return includes a Partnership Statement (on pages 6 and 7) for summarising the profits, losses or income allocated to the partners.

There are two types of Partnership Statement:

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

The Partnership Tax Return I have sent you includes the 'short' Partnership Statement. Ask the Orderline if you need the full version.

You may need to complete more than one Partnership Statement if, for example, the partnership has made up more than one account ending in 1998-99.

The short statement caters for up to three partners. If there were more than three partners, photocopy page 7 of the Partnership Tax Return before you fill it in, and use the photocopies. Remember to attach those photocopies to the Partnership Tax Return when you send it back to me.

Work your way through the Partnership Statement box by box.

It is set out to help you provide a:

- summary of the partnership profit (and related items) for 1998-99, and
- summary of the shares of profit (and related items) allocated to the partners who were members of the partnership during the period covered by the Partnership Tax Return.

You need only complete the boxes appropriate to your partnership.

Each item in the summary of the partnership profit must also be allocated to the partners. A summary of the shares allocated to each partner is required for each partner who was a member of the partnership during the period (or periods) covered by the Partnership Tax Return. This same information will also be needed by each partner to complete their personal Tax Return.

If the profits are shared between the partners on a simple percentage basis (for example 50% each), then I do not need any further information. I can work out the profit sharing arrangement from the allocated shares if I need to correct any mistakes.

If the profits are not shared on a simple percentage basis, for example if a partner is entitled to a fixed share or salary, give details of the profit sharing arrangements in the 'Additional information' box on page 8 of the Partnership Tax Return.

The green text on the Partnership Statement indicates where the shares of profit (and related items) must be entered in each partner's own personal Tax Return. A copy of the Partnership Statement, or the section of the statement containing the summary of the shares allocated to a particular partner, will normally provide all the information partners need to complete the Partnership Pages of their own Tax Return. (You may need to provide partners with more detailed, or additional information on foreign income and disposals of chargeable assets.)

■ How to allocate profit to the partners

In the first instance the allocation of profit (or related item) should normally follow the commercial profit sharing arrangement for the period for which that profit (or related item) has been returned.

However, special rules apply where this process produces a mixture of notional profits and losses.

● Trade and professional income

The allocation of profit (or related item) should, in the first instance, follow the commercial profit sharing arrangement for the accounting period for which the trade or professional income has been returned.

For each partner enter the total share allocated in the box provided.

Example 7

A partnership consisting of Mr Burdock and Mrs Dandelion made a trading profit of £10,000. Therefore the entry in box 11 of the Partnership Statement is £10,000.

Mrs Dandelion was entitled under the terms of their partnership agreement to a salary of £2,000 with the balance of profits being shared equally, i.e.

$$£10,000 - £2,000 = £8,000 \times 50\% = £4,000 \text{ each.}$$

For Mr Burdock the total profit allocated is £4,000 and is entered in the box in Mr Burdock's statement.

For Mrs Dandelion, the total profit allocated is:

$$£2,000 + £4,000 = £6,000 \text{ and is entered in the box in Mrs Dandelion's statement.}$$

The 'Additional information' box on page 8 of the Partnership Tax Return should be completed to show that Mrs Dandelion is entitled to a salary of £2,000 with the balance of profits being shared equally.

However, the allocation process cannot create or increase a loss. For tax purposes the allocation of profit (or loss) between partners must result in a straight apportionment of the actual profit (or loss) made by the partnership. If the initial allocation using the commercial profit sharing arrangement for all the partners produces a mixture of notional profits and losses, the actual partnership profit (or loss) must be reallocated between the profit making (or loss making) partners alone. This reallocation is made in proportion to the notional profit (or loss) initially allocated to those partners.

Example 8

Mr Red, Ms White and Mrs Blue are in partnership and made a trading profit of £8,900. Therefore the entry in box 3 of the Partnership Statement is £8,900.

Mr Red and Ms White are entitled to salaries of £5,200. The balance of profits are shared equally. The partnership profits would initially be allocated as follows:

	Red	White	Blue	Total
Partnership profit				£8,900
Salary	£5,200	£5,200	nil	£10,400
Balance of profit	(£500)	(£500)	(£500)	(£1,500)
Net Allocated	£4,700	£4,700	(£500)	£8,900

But the aggregate notional profit allocated to Mr Red and Ms White is £9,400 (not £8,900, the profit actually made by the partnership), whilst Mrs Blue has been allocated a notional loss of (£500), even though no loss was actually made by the partnership.

Therefore the actual partnership profits must be reallocated between the profit making partners. The reallocation is made in proportion to the notional profit initially allocated to each partner: that is, in the ratio:

$$\frac{(4700)}{(9400)} : \frac{(4700)}{(9400)} \quad \text{or } 50\% : 50\%$$

	Red	White	Blue	Total
Net Allocated	£4,700	£4,700	(£500)	£8,900
Percentage	(50%)	(50%)	(0%)	
Re-allocated	£4,450	£4,450	nil	£8,900

For Mr Red and Ms White this reallocation is equivalent to a 50% share of the balance of profit - in this case a loss - (£750).

For Mrs Blue this reallocation is equivalent to a 0% share of the balance of profit, £0.

For Mr Red (and Ms White) the total profit allocated is £5,200 - £750 = £4,450 and is entered in their statements.

For Mrs Blue the total profit allocated is 0 + 0 = 0 and is entered in her statement. (Of course Mrs Blue may be entitled to a share in some other source of income.)

The 'Additional information' box on page 8 of the Partnership Tax Return should be completed to explain that Mr Red and Ms White are entitled to shares of £5,200, and the balance of profits are shared equally.

If you require further advice on how to allocate profits (or losses), please ask your Tax Office or tax adviser.

Other types of income, and related items

The allocation of any other item of profit (or a related item such as a tax credit) should, in the first instance, follow the commercial profit sharing arrangement for the period for which that profit (or related item) has been returned.

If the profit (or related item) has been returned for an accounting period, then the allocation should be made to the partners who were partners during that accounting period.

If the profit (or related item) has been returned for the period 6 April 1998 to 5 April 1999, then the allocation should be made to the partners who were partners during the period 6 April 1998 to 5 April 1999.

Where, exceptionally this process produces a mixture of notional profits and losses the special rules apply (see the text and example above).

However, in most cases partnership income other than from a trade or profession is shared on a straight apportionment basis, in the same ratio as applies to the balance of trade or professional income.

- Examples of allocations for different types of income (and related items)

Trade and professional income

Example 10

Richard and Jonathan are in partnership as carpenters. The results recorded in the Partnership Trading Pages are as follows:

Profit	box 3.79	£18,000
'SC60 tax'	box 3.92	£6,000

In the summary of partnership profits £18,000 is entered in box 11 and £6,000 in box 24.

The profits and 'SC60 tax' are allocated in the ratio two-thirds: one third, as follows:

	Richard	Jonathan
Profit	£12,000	£6,000
'SC60 tax'	£4,000	£2,000

In the summary of partner's shares for Richard, £12,000 will be entered in box 11 and £4,000 in box 24. In the Statement for Jonathan, £6,000 will be entered in box 11 and £2,000 in box 24.

Example 11

Julia and Caroline are in partnership. Their business activities comprise two trades; running a village shop and running the tea rooms at a local stately home. The results from each activity are recorded in separate sets of Partnership Trading Pages as follows:

Village shop	(in box 3.80)	(£12,000)
Tea rooms	(in box 3.79)	£22,500

Separate Partnership Statements are required for each trade.

The summary for the village shop will show (£12,000) at box 12; the summary for the tea rooms will show £22,500 at box 11.

The profits and losses are allocated equally, as follows:

	Julia	Caroline
Village shop loss	(£6,000)	(£6,000)
Tea rooms profit	£11,250	£11,250

Two summaries of partner's share will be required for each partner. On one a loss of £6,000 will be entered in box 12, on the other a profit of £11,250 will be entered in box 11.

Savings, investments and other income

Example 12

Ingrid and Peter are in partnership as booksellers. In addition to that income during the year to 5 April 1999 the partnership received bank interest of £10,000 from which tax of £2,000 had been deducted. They share profits 60% to Ingrid and 40% to Peter. The figure of £8,000 is entered in box 7.7A, £2,000 in box 7.8A and £10,000 in box 7.9A.

In the summary of partnership profits £10,000 is entered in box 22 and £2,000 in box 25.

The income and tax is allocated as follows:

	Ingrid	Peter
Income	£6,000	£4,000
Tax	£1,200	£800

In the summary of partner's share for Ingrid, £6,000 will be entered in box 22 and £1,200 in box 25. In the summary of partner's share for Peter, £4,000 will be entered in box 22 and £800 in box 25.

Foreign income

An essential feature of the allowance of relief for foreign tax paid is the need to separately identify each and every item of overseas income so that each partner can claim tax relief for their share of any foreign tax paid.

Example 13

The entries on of the Partnership Foreign Pages may include:

Nature of income	Foreign profits	Foreign tax paid
Dividends (Company X)	£1,200	£150
Dividends (Company Y)	£600	£150
Interest (Company N)	£3,000	£1,500

Allocate to each partner their share of each item of foreign income (and the associated tax credit). For example, if the partnership has three partners entitled to equal shares of profits:

Nature of income	Share of foreign profits	Share of foreign tax paid
Dividends (Company X)	£400	£50
Dividends (Company Y)	£200	£50
Interest (Company N)	£1,000	£500

When you have allocated the foreign income and foreign credits on a country by country basis you should let each partner have details in the format shown above. You should let me have a copy of the allocation to the partners in the same format in the 'Additional information' box on page 8.

Example 14

John, Paul and George are in partnership. They share profits equally. In the year ended 31 December 1998 the partnership, in addition to its trading profits, received income from the letting of a property situated abroad. The partnership made a profit of £12,000 from the letting and foreign tax of £3,000 was paid on this.

Page PF3 is completed and £12,000 is entered in column B on Page PF2 against the entry 'Income from land and property' and the tax of £3,000 in column D. £12,000 should also be entered in box 2.7 and £3,000 in box 2.8.

These figures are then allocated amongst the partners as follows:

	John	Paul	George
Income from property	£4,000	£4,000	£4,000
Foreign tax	£1,000	£1,000	£1,000

£4,000 should be entered in box 17 in the summary of partner's share for each partner, and £1,000 should be entered in box 28. £12,000 is entered in box 17 and £3,000 in box 28 of the Partnership Statement.

Rental business

Example 15

Nigel, Tom and Alice are in partnership. In the year ended 5 April 1999 they have property income as follows:

Furnished holiday lettings	loss (£12,000)
Furnished lettings	profit £3,000
Unfurnished lettings	profit £6,000

They share profits and losses equally.

A completed set of Pages PL1 and PL2 for Nigel, Tom and Alice will have box entries as follows:

box 1.17	(£12,000)
box 1.37	£9,000

The amount entered in box 20 in the Partnership Statement is (£12,000) and in box 19 is £9,000.

The profits and losses are allocated as follows:

	Nigel	Tom	Alice
Furnished holiday lettings (loss)	(£4,000)	(£4,000)	(£4,000)
Rental profit	£3,000	£3,000	£3,000

The entries required in the Partnership Statement are the same for each partner. An entry of (£4,000) is made in box 20 and an entry of £3,000 in box 19.

Disposal of chargeable assets

Although you only need to show the total proceeds allocated to each partner in box 30 of the Partnership Statement, the partner will need the details of each disposal to calculate any tax due.

Example 16

Sue, Bob and Anna are in partnership. During the year 1998-99 the partnership disposes of three chargeable assets:

Asset 1	£10,000
Asset 2	£7,000
Asset 3	£21,000
Total proceeds	£38,000

The amount to be entered in box 4.1 on Page PA1 and in box 30 in the summary of partnership's profits is £38,000.

Sue, Bob and Anna had shares in these three assets as follows:

	Sue	Bob	Anna
Asset 1	3/4	1/4	nil
Asset 2	1/2	1/2	nil
Asset 3	1/3	1/3	1/3

The disposal proceeds must be allocated as follows:

	Sue	Bob	Anna
Asset 1	£7,500	£2,500	0
Asset 2	£3,500	£3,500	0
Asset 3	£7,000	£7,000	£7,000

The amounts entered in the summaries of partner's share in box 30 in the Statement for each partner are:

Sue	£18,000
Bob	£13,000
Anna	£7,000

Q 8 Are the details on the front of the Partnership Tax Return wrong?

If you tick the 'No' box, go to Question 9

Otherwise, tick the 'Yes' box and make the corrections on the front of the Partnership Tax Return.

Q 9 Please give a daytime telephone number in boxes 9.1 and 9.2

boxes 9.1 and 9.2

If convenient, enter your, or your agent's, telephone number in the appropriate box. (If you give your agent's number please also give the agent's name and reference in the 'Additional information' box.)

Q10 Are there any provisional figures or other estimates in the Partnership Tax Return?

Provisional figures

box 10.1

Do not delay sending in the Partnership Tax Return just because you do not have all the information you need. You must do your best to obtain the information, but if you cannot provide final figures by the time you need to send in the Partnership Tax Return then estimate the amount. It is important to ensure that I receive the Partnership Tax Return by the due date.

Tick box 10.1 and describe in the space provided:

- which figure(s) is/are provisional (refer to appropriate box numbers in the Partnership Tax Return)
- why you could not give final figure(s)
- when you expect to give me your final figure(s).

I will not normally regard a Partnership Tax Return as incomplete simply because it contains provisional figures, provided you have taken all reasonable steps to get final figures, and that you ensure that details of those figures are sent in as soon as they are available. I would not, however, regard pressure of work either on you, or your tax adviser, or the complexity of the partnership's affairs, as reasons for accepting a provisional figure.

You must ensure that any provisional figures you do include are reasonable and take account of all information available to you.

If you negligently submit a provisional figure that is either inaccurate or unnecessary each partner may have to pay a penalty.

Other estimates (including valuations)

In some situations you may need to provide an estimated figure or a valuation that you do not intend to amend at a later date. Broadly, this will be the case where:

- a valuation is required (for example, of an asset at a certain date for the purposes of calculating Capital Gains Tax liability),
- there is inadequate information to enable you to arrive at a reliable figure (for example, where the records concerned have been lost or destroyed), or
- although there is inadequate information to arrive at a precise figure, a reliable estimate can be made (for example, where the private proportion of an expense such as motoring expenditure has been calculated on the basis of the detailed records of a representative sample period).

You should identify any valuations you have used, either by ticking the appropriate box in the Partnership Tax Return, and providing the details which the Notes ask for, or by identifying the figure in the 'Additional information' box of the relevant Pages, or on page 8

of the Partnership Tax Return, and giving details of the valuation. You should also identify any figures in the Partnership Tax Return which may not be very reliable, explaining, where appropriate, how the figure has been arrived at. But if you are including an estimate which, while not a precise figure, is sufficiently reliable to enable you to make an accurate Return, there is no need to tell me this.

Q 11 The Declaration

boxes 11.1 to 11.3

Read the Declaration carefully.

Tick the boxes opposite the Pages you have completed.

Enter in box 11.1 the number of additional Partnership Statements you are sending in as part of the Partnership Tax Return. Remember you must complete a summary for each partner who was a member of the partnership during each of the periods for which information is included in the Partnership Tax Return. Enter in box 11.2 the number of partners who were in this partnership during the period for which information has been returned.

If you have filled in the Partnership Tax Return

Sign and date the Declaration in box 11.3 and print your name under your signature. Remember to send back any supplementary Pages.

If you have had the Partnership Tax Return filled in for you by someone else

If you have had the Partnership Tax Return filled in for you by someone else, acting on your behalf, you must still sign the Return yourself to confirm to us that, to the best of your knowledge, it is correct and complete. This applies whether you have paid for the services of an accountant or other tax practitioner, or have simply had help from a friend or relative.

You should always allow sufficient time for checking and signing the Return if it has been completed by someone on your behalf (particularly if you are likely to be abroad near the deadline for sending the Return back to me). Failure to make appropriate arrangements could mean that you miss the deadline and you and your partners are charged penalties, and interest on any tax paid late.

Exceptional circumstances in which someone other than the taxpayer can sign a Tax Return

Where an attorney has been formally appointed I may accept a declaration signed by that person, on behalf of the taxpayer, but only in certain circumstances. These are if you are signing for a person who is physically incapable of signing the Tax Return or mentally incapable of understanding its significance. If someone is physically incapable, we will accept your signature if you are an attorney acting under a general or enduring power. If someone is merely unavailable to sign the Return, for example because of absence abroad, your signature will not suffice. You may sign the Return for someone who is mentally incapacitated if you are an attorney appointed under an enduring power registered with the Court of Protection. In Scotland, if you are an attorney appointed under a power granted on or after 1 November 1990 or you are a curator bonis, you may sign the Tax Return.

If you are signing for someone else:

- enter the name of the person for whom you are signing in box 11.4, **and**
- write your name and address in the 'Additional information' box.

■ Payment of tax on partnership profits

Each partner is individually responsible for paying the tax due on his or her share of the partnership profits. Payment has to be made to the partner's Self Assessment tax account. Usually partners will pay their own liability. Exceptionally a partnership may wish to make one payment on behalf of some or all of the partners.

When you make a partnership payment, you must provide full details of how the payment is to be apportioned between the partners. If you are not paying by BACS, the most convenient way is to use the payslips we issue. Full payment details ensure there is no delay in updating partners' records.

The payment details you provide for each partner must include the:

- partner's name
- 10 digit tax reference with a suffix K as shown on the payslip (for example 2345676543K), **and**
- amount to be credited to the partner's account.

Unless you are paying by BACS, we ask that you use the payslip at the foot of the Statement of Account or Self Assessment reminder sent to each partner. That way you only have to ensure the payment amount is shown on the payslip.

If you wish to make a single payment on behalf of the partners you can use one of the following methods of payment:

1. **Bank Giro:** Present the partners' payslips with your payment to a branch of your bank.
2. **BACS:** If you already make use of BACS, you can include details of each partner's payment in one of your regular submissions to BACS.
3. **CHAPS:** Four days or more before the date you intend to make the transfer, send us the partners' payslips. Please indicate prominently that payment is by 'CHAPS', show the date of the proposed transfer and provide a contact name and telephone number. A totalled list of payslips would also be helpful.
On the transfer date, arrange with your bank for a single credit to be transferred to us electronically. Ask your bank to add the words 'on behalf of partners' after your name to help us recognise payment is to be split.
4. **Cheque:** Where the number of partners is 99 or less, send us a cheque with a separate payslip for each of the partners. A totalled list of payslips would also be helpful. Instructions for cheque completion are on the reverse of the Statement of Account. Please write your partnership reference on the cheque.
If there are more than 99 partners, use one of the three payment methods above. Alternatively, form bundles of 99 payslips or less and send us each bundle with a separate cheque.

Our bank details for payment by BACS or CHAPS are as follows.

For payment to

Accounts Office	Cumbernauld	ShIPLEY
Bank sort code	10 51 67	10 50 41
Account number	23444401	23456000

Our two Accounts Offices are shown below. The Accounts Office is shown on the back of any one of the Statements of Account or reminders issued to a partner. Please telephone the Accounts Office if you have any questions about making payment.

Inland Revenue Accounts Office Cumbernauld GLASGOW G70 STR Telephone: 01236 783717	Inland Revenue Accounts Office ShIPLEY BRADFORD BD98 8AA Telephone: 01274 532007
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■ What happens if the Return is incorrect?

As nominated partner you are responsible for the accuracy of the Partnership Tax Return.

If it is incorrect, **and**

- the partners have paid too much tax, I will repay it to them plus interest on the amount overpaid, **or**
- the partners have not paid enough tax, I will ask for further tax. I may require them to pay interest from the original due date and a surcharge.

If the Partnership Tax Return is incorrect through fraud or negligence each partner may be liable to penalties of up to 100% of the difference between the correct tax due on that partner's share of partnership profits and the amount that would have been due on the basis of the figures returned. They may also be prosecuted.

If you send in the Partnership Tax Return and then find out that you made a mistake, let me know at once.

■ If the notice requiring you to make the Partnership Tax Return was given after 31 October 1999

If the notice requiring you to make the Partnership Tax Return was given after 31 October 1999, you must send it back to me within three months of the date the notice was given.

The notice requiring you to make the Partnership Tax Return is 'given' on the day it is delivered to you. We will normally assume, for example, for the purpose of charging automatic penalties for the late submission of the Partnership Tax Return, that the delivery will have taken place no more than seven days after the date of issue shown on the front of the Partnership Tax Return.

The partners may be charged interest on any tax paid late.

How to complain

If you or your partners have a complaint that the Officer in Charge of the partnership's Tax Office cannot settle you (or they) should contact the Inland Revenue Regional Director responsible for the area dealing with the partnership's tax affairs. Leaflet *IR120: You and the Inland Revenue* tells you how to do that. It is available from the Orderline, or any Tax Enquiry Centre or Tax Office.

If the Regional Director does not settle the complaint to your or your partners' satisfaction you can ask the Adjudicator to look into it and recommend appropriate action.

The Adjudicator, whose services are free and who is an impartial referee whose recommendations are independent, can be contacted at:

Adjudicator's Office
Haymarket House
28 Haymarket
London SW1Y 4SP
Telephone 0171-930 2292

At any time you or your partners can ask a Member of Parliament to refer a complaint to the independent Parliamentary Ombudsman (officially the Parliamentary Commissioner for Administration). Further details can be obtained from the Ombudsman's office at:

Church House
Great Smith Street
London SW1P 3BW

Telephone 0171-276 2130/3000

The Adjudicator will not look at complaints which have been taken up by the Ombudsman, but the Ombudsman can look at complaints that the Adjudicator has investigated.

The Taxpayer's Charter

You are entitled to expect the Inland Revenue

To be fair

- by settling your tax affairs impartially
- by expecting you to pay only what is due under the law
- by treating everyone with equal fairness

To help you

- to get your tax affairs right
- to understand your rights and obligations
- by providing clear leaflets and forms
- by giving you information and assistance at our enquiry offices
- by being courteous at all times

To provide an efficient service

- by settling your tax affairs promptly and accurately
- by keeping your private affairs strictly confidential
- by using the information you give us only as allowed by the law
- by keeping to a minimum your costs of complying with the law
- by keeping our costs down

To be accountable for what we do

- by setting standards for ourselves and publishing how well we live up to them



If you are not satisfied

- we will tell you exactly how to complain
- you can ask for your tax affairs to be looked at again
- you can appeal to an independent tribunal
- your MP can refer your complaint to the Ombudsman

In return, we need you

- to be honest
- to give us accurate information
- to pay your tax on time

The Inland Revenue is a Data Controller under the Data Protection Act. We hold information for the purposes specified in our notification made to the Data Protection Commissioner, and may use this information for any of them.

We may get information about you from others, or we may give information to them. If we do, it will only be as the law permits, to:

- check accuracy of information
- prevent or detect crime
- protect public funds.

We may check information we receive about you with what is already in our records. This can include information provided by you as well as by others such as other government departments and agencies and overseas tax authorities. We will not give information about you to anyone outside the Inland Revenue unless the law permits us to do so.

These notes are for guidance only, and reflect the position at the time of writing. They do not affect any rights of appeal.