

**Tax Law Rewrite
Response to Paper
CC/SC (08) 02**

**Transfer of relief within
partnerships**

This document is available on the internet at:

<http://www.hmrc.gov.uk/rewrite>

11 July 2008

INTRODUCTION

1. We published Committee Paper CC/SC (08) 02 in December 2007 on the HMRC internet website www.hmrc.gov.uk/rewrite. The closing date for responses was 28 March 2008. The draft clauses rewrite the provisions in section 116 of ICTA.

2. The purpose of this response document is to provide details of the substantive points made and to explain our analysis and proposals in respect of them. Minor points such as suggestions to improve punctuation are not covered, but all comments received have been carefully considered.

3. We received written responses from the following:

- The Confederation of British Industry
- The Institute of Chartered Accountants in England and Wales

4. We are very grateful for all the comments made, many of which were detailed and we appreciate the time and effort that went into them. We have sent each respondent a copy of this response document.

5. The following abbreviation for tax legislation is used:

- ICTA the Income and Corporation Taxes Act 1988

Clause 2: Arrangements for transfer of relief

By dropping the words “the value of” and “the cost of” in the references to the partner’s share in the profits or loss the clause changes the meaning of the rule.

6. We are not convinced that dropping the words has the effect suggested by the respondent (or any effect at all). But, to avoid any danger of changing the law, we propose to follow the wording of the source legislation.

7. *We propose to reinstate the words.*

Clause 3: Restrictions on use of reliefs

There is no need for the words “the amount of” in subsection (1).

8. We agree. We will also keep the drafting under review as we develop our thoughts on the rules for calculating profits charged to corporation tax.

9. *We propose to remove the words.*

Paragraph 11 of the explanatory notes is unclear. And it is unnecessary because paragraph 10 explains the purpose of clause 3(3).

10. *We agree and will amend the explanatory notes.*