

i Contacts

Please phone:

- the number printed on page TR 1 of your tax return
- the SA Helpline on **0845 9000 444**
- the SA Orderline on **0845 9000 404** for helpsheets

or go to

www.hmrc.gov.uk

Who should complete the *Partnership (short)* pages?

If, at any time during the 2009–10 tax year, you were entitled to a share of profits, losses or income from a business which you carried on in partnership, you must fill in either the *Partnership (short)* or *(full)* pages.

You are also jointly responsible, with your partners, for completing the Partnership Tax Return for 2009–10. If that return is not sent back on time, each partner who was a member of the partnership during the return period may be charged a £100 automatic initial penalty.

The Partnership Statement

The Partnership Tax Return includes a summary of the share of profits, losses or income allocated to you during any period for which you were a member of the partnership. This summary is called the ‘Partnership Statement’ and you should use the information in that Statement to complete your *Partnership* pages.

There are two types of Statement:

- a ‘short’, or abbreviated, version for partnerships that only have trading income, and taxed bank or building society interest (or alternative finance receipts), and
- a ‘full’, unabridged, version covering all the possible types of partnership income you might receive.

Completing the *Partnership (short)* pages

Most partnerships will only need to complete the short Partnership Statement. If your partnership has completed this, complete the *Partnership (short)* pages. However, if your partnership completes the full Partnership Statement, you should complete the *Partnership (full)* pages, available from www.hmrc.gov.uk or the SA Orderline.

If you were a member of more than one partnership, or the partnership carried on more than one business, there will be separate Partnership Statements:

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

In these circumstances you must complete a set of the relevant *Partnership* pages for each partnership and/or business. Either photocopy blank pages you already have or ask the SA Orderline for more copies. If you use photocopies, please put your name and unique taxpayer reference at the top. You should also ask the SA Orderline for Helpsheet 220 *More than one business*.

Do not give details of your share of the proceeds from the disposal of partnership chargeable assets (for example, shares or property) in these pages. Give details in the *Capital gains summary* pages instead, unless:

- the total value of all the assets you disposed of in 2009–10 (through the partnership or otherwise) is no more than £40,400, and
- your total chargeable gains do not exceed £10,100 (no tax will be due).

Page TRG 5 of your tax return guide has more information.

Usually you will need to complete the *Partnership* pages if you were a partner during the year ended 5 April 2010 and the *Self-employment* pages

if you were also self-employed during that period. Where you carried on the same business during the year, and were self-employed for part of the year and in partnership for part, follow the guidance in the 'Changing between self-employment and partnership' section on pages SPN 7 and SPN 8.

Partnership details

Boxes 1 and 2

Make sure you complete boxes 1 and 2 for each set of pages you fill in. Enter in box 1 the partnership tax reference from the Partnership Tax Return. If you are a partner in a foreign partnership, you will not have a partnership tax reference so in this circumstance enter your own unique taxpayer reference (UTR) number in box 1.

Date of joining or leaving

Boxes 3 and 4

If you became a partner after 5 April 2009, enter the date you joined the partnership in box 3. If you stopped being a partner before 6 April 2010, enter the date you left the partnership in box 4. Leave these boxes blank if you changed from self-employment to partnership or partnership to self-employment during 2009–10.

Your share of the partnership's trading or professional profits

Basis period

Boxes 5 and 6

You pay tax for 2009–10 on the profits, and claim relief for the losses, of your 'basis period'. After the first one or two years as a partner, your basis period will be the same as the partnership's accounting period, unless the partnership changes its accounting date. For example, if the partnership's accounting date is 31 December and you became a partner on 1 January 2009, your basis period for 2009–10 is the 12 months from 1 January 2009 to 31 December 2009.

However, in the first year or two as a partner, or when you leave the partnership, your basis period may not be the same as the partnership's accounting period. Full details of the rules to work out your basis period are in Helpsheet 222 *How to calculate your taxable profits*.

Enter in box 5 the date on which your basis period for 2009–10 started and in box 6 the date on which it ended.

Basis period adjustment

Boxes 7 and 8

If your basis period is the same as the partnership's accounting period, enter your share of the partnership's profit or loss in box 7 (enter a loss by putting a minus sign (-) in the shaded box next to the £ sign) and ignore box 8.

In any other case, you will need to work out the profit or loss of the basis period and then compare this with your share of the profit or loss for the partnership's accounting period ended in 2009–10 and entered in box 7. If no accounting period ends in 2009–10, enter in box 7 your share of the partnership's profits or loss for the period 6 April 2009 to 5 April 2010. Enter in box 8 the adjustment needed, that is, the amount to be added to or subtracted from the figure in box 7, to arrive at the profit or loss for the basis period. Helpsheet 222 *How to calculate your taxable profits* explains

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how to work out the adjustment. If the adjustment is an amount which needs to be subtracted from box 7, put a minus sign in the shaded box next to the £ sign and subtract the adjustment in arriving at your total taxable profit.

Example

A partnership prepares its accounts to 30 September each year. Partner A became a partner on 1 July 2009. Partner A's allocation of the partnership profit is:

- period to 30 September 2009 £15,000
- year ended 30 September 2010 £60,000

Partner A's basis period for 2009-10 is 1 July 2009 to 5 April 2010 and profits are calculated as follows:

- 1 July 2009 to 30 September 2009 £15,000 (enter in box 7)
- 1 October 2009 to 5 April 2010 (6/12 x £60,000) £30,000 (enter in box 8)

If you are unable to complete box 8 because the partnership cannot prepare the accounts from which you could work out the adjustment before the date for sending your tax return, you should provide a provisional amount. Put 'X' in box 20 on page TR 6 of your tax return and say in the 'Any other information' box, box 19, which boxes are provisional, why you could not give final figures, and an approximate date on which you expect to give your final figures.

Box 9 Adjustment for change of accounting practice

If the partnership is carrying on a trade or profession and has received income from contracts for professional or other services there may be an adjustment shown in box 11A on your Partnership Statement. If there is, enter it in box 9.

Box 10 Averaging adjustment

If the partnership:

- carries on the business of farming or market gardening, or
 - has income from selling or allowing others to reproduce literary or artistic works which were created by one or more of the partners
- you may be able to claim averaging. Helpsheet 224 *Farmers and market gardeners* and Helpsheet 234 *Averaging for creators of literary or artistic works* give more information.

Enter in box 10 the amount by which your profit is changed by the averaging claim. Put a minus sign in the shaded box if the adjustment reduces your profit. This entry does not change the amount of any loss to be included in box 19. If you work out your tax bill, you must also include in the *Tax calculation summary* page, available from www.hmrc.gov.uk or the SA Orderline, the adjustment to your tax for 2008-09 resulting from the averaging claim. Use box 13 if the adjustment is an increase in the tax or box 14 if it is a reduction.

Box 11 Foreign tax claimed as a deduction

Use box 11 to claim credit for foreign tax deductions but only if you are not claiming foreign tax credit relief in the *Foreign* pages.

Boxes 12 and 13 *Overlap profits and overlap relief*

If the partnership's accounting date is a date other than 5 April, overlaps in your basis periods may occur:

- in the first three years after you become a partner – see the notes on boxes 5 and 6, or
- in a year in which there is a change in the partnership's accounting date.

Since you are taxed on your share of the partnership profits for a particular basis period, overlaps in your basis periods would mean that you may be taxed more than once on the same profits. To avoid this, you may be able to claim overlap relief for the profit (the overlap profit) in any overlap period.

Overlap relief may be due for 2009–10 if:

- you ceased to be a partner in 2009–10, or
- the partnership's business ceased in 2009–10, or
- the partnership changed its accounting date in 2009–10 and your basis period, as shown in boxes 5 and 6, is more than 12 months.

If so, use Helpsheet 222 *How to calculate your taxable profits* to work out overlap profits and to find out how to claim overlap relief. Enter in box 12 the amount of any overlap relief used in 2009–10, and enter in box 13 the amount of any unused overlap profit carried forward to 2010–11.

Box 14 *Adjusted profit for 2009–10*

Use the Working Sheet on page SPN 5 to work out the adjusted profit for 2009–10.

Box 15 *Losses brought forward from earlier years set-off against this year's profit*

You may deduct from the amount of adjusted profit in box 14 any losses for 2008–09 or earlier years which you claimed to carry forward against later profits from the same partnership. The maximum amount you can enter in box 15 is the adjusted profit figure in box 14.

Box 17 *Any other business income not included in the partnership accounts*

Enter in box 17 any amounts that have not been included in the partnership accounts but which you need to work out your taxable profits; for example, any Enterprise Allowance (sometimes called Business Start-Up Allowance) you received in the year to 5 April 2010. This will usually have been paid to you rather than the partnership and therefore will not have been included in the Partnership Tax Return.

Your share of the partnership's trading or professional losses

If the partnership made a loss for 2009–10, you may be able to claim tax relief for your share of that loss. Helpsheet 227 *Losses* has more information about claiming loss relief and includes a Working Sheet to help you keep track of your losses.

Time limits

Some claims must be made by 31 January 2012. Make sure that any claims you wish to make are made within the time limit prescribed. We cannot usually accept late claims.

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Box 19 Adjusted loss for 2009-10

Use the Working Sheet below to work out the adjusted loss for 2009-10.

Working Sheet for adjusted profit or loss

Put a minus sign (–) before any loss or negative number

Start with your share of the partnership's profit or loss *box 7*

£

Add

Positive adjustment for basis period *box 8*

£

Adjustment for change of accounting practice *box 9*

£

Total

A £

Minus

Negative adjustment for basis period *box 8*

£

Foreign tax claimed as deduction *box 11*

£

Overlap relief used this year *box 12*

£

B £

Total *box A minus box B*

C £

If the amount in box C is positive (a profit)

Add

Positive averaging adjustment *box 10*

D £

Or Minus negative averaging adjustment *box 10*

E £

Adjusted profit - *box C plus box D or box C minus box E*

F £

Minus

Losses brought forward *box 15* - up to the amount in box F

£

Total

£

Add

Any other business income *box 17*

£

Your share of total taxable profits *copy to box 18*

£

Or, if the amount in box C is negative (a loss)

Copy the amount in box C (the adjusted loss) to box 19 but enter it as a positive figure (do not include the minus sign in box 19).

If you have entered a positive averaging adjustment in box 10, copy the amount in box 10 to box 14, as well as entering the adjusted loss in box 19.

Box 20 Loss from this tax year set off against other income for 2009–10

You can claim relief for the 2009–10 loss by reducing your other taxable income for 2009–10. Enter the amount you are claiming to set off in box 20. The loss you claim in box 20 will usually be the whole of the loss, but your total income minus deductions cannot be reduced below zero. So, the figure you put in box 20 should be no higher than your total income minus deductions. If you have already made a claim for relief for the loss, you should still include the loss in box 20, and provide details in the ‘Any other information’ box, box 19 on page TR 6 of your tax return. If you wish you may claim any remaining loss, or if you have no taxable income the whole of the loss, by reducing your capital gain for 2009–10. Enter the loss you are claiming in box 14 on the *Capital gains summary* pages.

Box 21 Loss to be carried back to previous year(s) and set off against income (or capital gains)

If you want to claim relief for the 2009–10 loss by setting it against income of an earlier year, or years, enter the amount of the loss to be carried back in box 21. If you have already made a claim for the relief to be calculated in this way, you should still include the loss in box 21, and provide details of the loss to be carried back now, or already carried back, in the ‘Any other information’ box, box 19, on page TR 6 of your tax return.

Box 22 Total loss to carry forward after all other set-offs - including unused losses brought forward

If you wish to claim relief for your loss by carrying it forward to set against future profits, enter the amount of the unused loss to be carried forward, along with any loss brought forward from earlier years, in box 22.

Class 4 National Insurance contributions (NICs)

Class 4 National Insurance contributions (NICs) must be paid by all partners unless they are exempt or deferment applies. The contributions are calculated as a percentage rate of taxable profits above £5,715 for the tax year 2009–10.

Box 23 If you are exempt from paying Class 4 NICs

You are exempt from paying Class 4 NICs if:

- on 6 April 2009 you were a man aged 65 or over, or a woman aged 60 or over, or
- on 6 April 2009 you were under 16 and the National Insurance Contributions Office (NICO) has granted you an ‘exception’, or
- during 2009–10 you were not resident in the UK for tax purposes (if you are not sure whether this applies to you please contact us or your tax adviser), or
- during 2009–10 you were a sleeping partner – that is, you took no active part in running the business and only supplied capital and took a share of the profits.

Put ‘X’ in box 23 if one of these conditions applies. Do not complete box 24 (Class 4 NICs deferment) or box 25 (Class 4 NICs profit adjustment).

Box 24 If you have been given a 2009–10 Class 4 NICs deferment certificate

If you are employed as well as self-employed, the National Insurance Contributions Office may agree that some of your Class 4 NICs can be deferred until your overall contributions can be determined. If your

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application for deferment is agreed they will send you a certificate of deferment (form CA2703). Only put 'X' in box 24 if you have already been given a certificate of deferment. If you want to apply for deferment please contact us.

Box 25 Adjustment to profits chargeable to Class 4 NICs

There are adjustments that reduce the amount of Class 4 NICs payable: cash basis adjustments, adjustments for changes in accounting practice, certain losses from earlier years, and earnings as an employee which have been included in your profits. Helpsheet 220 *More than one business* gives further information.

Your share of the partnership taxed interest etc.

You must include in the Partnership pages your share of any partnership investment income – that is, income other than trading or professional income – as shown on the Partnership Statement.

If your only share of investment income was interest (or alternative finance receipts) with tax deducted from a UK bank or building society you can use the *Partnership (short)* pages. Otherwise ask the SA Orderline for the *Partnership (full)* pages (and *notes*) and complete those instead.

Enter in box 26 your share of any bank and building society interest (and alternative finance receipts) with tax taken off received in the year ended 5 April 2010, from box 22 on your Partnership Statement.

Your share of the partnership tax paid and deductions

Box 27 Your share of Income Tax taken off partnership income

Enter in box 27 your share of the tax taken off from any bank and building society interest etc. during the year ended 5 April 2010 from box 25 on the Partnership Statement.

Box 28 Your share of CIS deductions made by contractors

If the partnership was a subcontractor in the construction industry, it may have received some payments under the Construction Industry Scheme. Enter in box 28 your share of any deductions made by contractors on account of tax from payments made to the partnership during the year ended 5 April 2010. This will be shown in box 24 of your Partnership Statement.

Box 29 Your share of any tax taken off trading income (not contractor deductions)

Enter in box 29 your share of any tax taken off trading income, for example, royalties, from box 24A on your Partnership Statement.

Changing between self-employment and partnership

Step 1

Work out your basis period for the 2009–10 tax year (using the notes for boxes 5 and 6 on page SPN 2).

Step 2

Do not put the date of change from self-employment to partnership,

or partnership to self-employment, in either box 3 or box 4 of the *Partnership* pages.

Step 3

Check whether the accounts information for any accounting period relating to your basis period (that is, if any part of the accounting period falls within the basis period) has been given in the Partnership Tax Return.

Step 4

If it has, you should complete the *Partnership* pages and work out your taxable profit or allowable loss for this year. This will be based on:

- your share of the partnership profit or loss shown in the Partnership Statement, together with
- the profit or loss of any accounting period affecting your basis period during which the business was not carried on in partnership for which you have entered details in boxes 8 to 31 in the *Self-employment (short)* pages, or boxes 14 to 64 in the *Self-employment (full)* pages.

Step 5

Otherwise, enter the accounts information in boxes 8 to 31 in the *Self-employment (short)* pages or boxes 14 to 64 and 82 to 98 in the *Self-employment (full)* pages. Complete the remaining boxes in those pages to work out your taxable profit or allowable loss for this year. Do not complete the *Partnership* pages.

Other information

Compensation for slaughter of farm animals

If your partnership has suffered compulsory slaughter of farm animals which are not covered by a herd basis election, you may wish to claim under Extra Statutory Concession B11 to:

- deduct your share of the profit arising from the compensation from your share of profit taxed for the period when the slaughter took place, and
- spread the amount deducted over the following three tax years (or the period to when you cease to be a partner if that was shorter).

Keep a note to make sure you do not overlook these adjustments, which should be entered in box 8.

If the adjustments are reducing profits put a minus sign (–) in the shaded box next to the £ sign. If you have another adjustment to go in box 8 then add the two together and put the result in box 8. Use the ‘Any other information’ box, box 30 to explain any entries in box 8.

For more information about ESC B11 ask the SA Orderline for Helpsheet 224 *Farmers and market gardeners*.

Intermediaries legislation – IR35

If the partnership provided your services to clients in circumstances where you would be an employee if you worked for the client directly and not through the partnership, then the rules about tax and National Insurance contributions, introduced from 6 April 2003, may apply. See the section ‘The provision of personal services through a partnership – deemed employment payment’ on Helpsheet 222 *How to calculate your taxable profits*. It tells you what adjustments are to be made to your taxable income and where these should be entered on your tax return.