Partnership Tax Return Guide

Tax year 6 April 2014 to 5 April 2015 (2014–15)

Contacts

To download the form and related helpsheets go to **www.gov.uk/self-assessment-forms-and-helpsheets**

For further information about Self Assessment go to **www.gov.uk/personal-tax/self-assessment**

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 Partnership Tax Return. Most of your questions will be answered here.

Filing dates for 2014–15

If you file a paper Partnership Tax Return, you **must** do so by **31 October 2015**.

If you file the Partnership Tax Return **online**, you must do so by **31 January 2016**.

You may have longer if we gave you notice to make the Partnership Tax Return after 31 July 2015 or the partnership includes a company as a partner – read page PTRG 31 of these notes.

The Partnership Tax Return

The Partnership Tax Return asks for details of the partnership's income and related information.

Every partnership gets the first 8 pages of the Partnership Tax Return covering income from trades and professions, and interest or alternative finance receipts, 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 fill in the right supplementary pages. You must send them back to us on time with the rest of the Partnership Tax Return.

Penalties for failing to file by the deadline

If you fail to file the Partnership Tax Return by the appropriate deadline, we will charge each partner who was a member of the partnership during the return period a £100 penalty.

If the delay continues, we will charge each partner the following penalties:

- over 3 months late – a penalty of £10 for each additional day the Partnership Tax Return is late for a maximum of 90 days (£900)
- over 6 months late – a fixed £300 penalty
- over 12 months late – a further fixed £300 penalty

You must complete the Partnership Tax Return in full. If you have a disability that makes filling in the return difficult we will be able to help you complete the form. Please contact us to talk about this.

Phone the Self Assessment Orderline if you need any supplementary pages mentioned in this guide or go to **www.gov.uk/self-assessment-forms-and-helpsheets**

If you decide to file your Partnership Tax Return online, the first thing you need to do is register with our online service and then purchase commercial software.

The Self Assessment Orderline is open 8am to 8pm, Monday to Friday, 8am to 4pm Saturday (closed Sundays, Christmas Day, Boxing Day and New Year's Day) on **0300 200 3610**.

A textphone service is available on this number. You can also order by fax on **0300 200 3611**, or online at **www.hmrc.gov.uk/contactus/staustellform.htm** or by writing to PO Box 37, ST AUSTELL, PL25 5YN.

To register for Self Assessment Online for Partnerships, go to **www.gov.uk/register-for-self-assessment**

Yr Iaith Gymraeg/Welsh Language

Ffoniwch **0300 200 1900** i dderbyn fersiynau Cymraeg o ffurflenni a chanllawiau.

Filling in the Partnership Tax Return

The Partnership Tax Return should be filled in and signed by one of the following:

- the partner nominated by the other partners who were members of the partnership during the return period (or by us)
- the partner named on the front of the form
- the manager of a European Economic Interest Grouping (EEIG) registered in the United Kingdom (UK)
- the member to whom the Partnership Tax Return is addressed for other EEIGs

You will need information about the partnership's business, including any investments.

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

The rest of this guide will help you to fill in the boxes in the Partnership Tax Return. If you need help, ask us or your tax adviser.

Answer all the questions. If you tick 'Yes', fill in any pages and boxes that apply to you. If not, go to the next question.

- 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 £85,000.97, enter £85,000 in box 3.29. Round all the boxes, not just totals boxes
- Please fill in the boxes with the information or amounts requested and do not include entries such as 'per attached', 'per enclosed accounts' or 'to follow'
- Do not delay sending your tax return just because you do not have all the information you need – read the notes for box 10.1 on page PTRG 28 of this guide

If you need help, look up the question or box number in this guide. The first part of each number shows which question it relates to, for example, box 3.29 is one of the boxes for Question 3.

What we do

When we get your completed Partnership Tax Return we will process it using your figures. If we see any obvious mistakes we may put them right and tell you what we have done. If we are not sure about a figure that you have entered we may contact you. When we process the return we shall only be looking at the return and documents we have requested.

Once we have processed the Partnership Tax Return we may check it. We have 12 months after we receive it to do this. We may make enquiries about the figures and ask you to send the records from which you took them. We may also check the figures against any details received from other sources, such as your bank.

You and your partners are responsible for the accuracy of the Partnership Tax Return.

If after sending us the Partnership Tax Return you find that you have made a mistake, or any details have changed, then let us know at once, otherwise we may charge you a penalty. You must provide final figures to replace any provisional amounts as soon as you can.

We may also charge a penalty if there is unreasonable delay in providing corrected figures once they are known to you, or the Partnership Tax Return is incorrect because you have failed to take reasonable care. Each partner who was a member of the partnership during the period covered by the return may face a maximum penalty ranging from 30% to 100% of the difference between the correct tax due and the amount due on the figures the partnership has provided. This could be up to 200% if the income or gains not being declared arose outside the UK.

We can reduce these penalties, depending on what you tell us, and the help and assistance you give us to correct the error. In some circumstances you and your partners could also be prosecuted for deliberate errors.

Giving information to the partners

You should make sure that you provide individual partners with the information they need to fill in their personal tax returns as quickly as possible.

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 2 types of statement:

- a 'short' abridged version for partnerships that have only trading or professional income, or interest or alternative finance receipts with tax deducted, from banks, building societies or other deposit takers
- a 'full' unabridged version SA800(PS) covering all the possible types of partnership income

Some partners may want to send their personal paper tax returns by 31 October 2015. Others will want to submit them online by 31 January 2016. In most circumstances a copy of the Partnership Statement will be all they need to fill in the Partnership pages of their personal return. But in some circumstances you will need to provide them with additional information. This guide tells you when additional information is required.

The short Partnership Statement caters for up to 3 partners. The 'full' Partnership Statement caters for up to 6 partners. If there are more partners than the Partnership Statement you are using allows for, either photocopy page 7 before you fill it in and use the photocopies, go to **www.gov.uk/self-assessment-forms-and-helpsheets** or ask the Self Assessment Orderline for more copies. Attach the pages to the Partnership Tax Return when you send it back to us.

If your partnership is an Alternative Investment Fund Manager (AIFM) and has opted to use the new mechanism for dealing with remuneration deferred under the AIFM Directive, then there is a statutory requirement for you to provide certain information to partners making use of the mechanism.

Key dates and summary

You must, by law, have kept all records. Failure to do so could give rise to penalties.

April 2015

You receive the Partnership Tax Return:

- check to see if you need any supplementary pages
- find your records
- fill in the tax return
- if you go to **www.gov.uk/how-to-send-self-assessment-online/overview** you can file your tax return online

31 October 2015

If you file a paper tax return, you must do so by this date, otherwise we will charge each partner an automatic penalty of £100. It will help the partners if the Partnership Tax Return is sent by this date.

31 January 2016

This date is important for 4 reasons. This is the date by which:

- we must have received the completed Partnership Tax Return if it is filed online (we must receive paper returns by 31 October 2015)
- the partners must submit their own returns if they file online (we must receive paper returns by 31 October 2015)
- the partners must pay the balance of any tax they owe
- the partners must pay their first payment on account for the 2015–16 tax year

You can file online even if we have sent you a paper tax return. Provided that we receive the online return by 31 January 2016, then we will not charge an automatic penalty. If the Partnership Tax Return is late and, as a result, the partners' personal tax returns are also late, then automatic penalties will apply.

If tax is paid late, then we will charge interest and possibly a late payment penalty.

Filling 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 to 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 1 period.

The Partnership Tax Return includes a 'short' Partnership Statement on pages 6 and 7 for summarising the profits, losses or income allocated to the partners. Fill in this or the 'full' unabridged Partnership Statement (available separately, go to **www.gov.uk/self-assessment-forms-and-helpsheets**), as appropriate, and then provide each partner with the information they need to fill in 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 1 partner who is a member of both sides of the change.

You do not need to fill in 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

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

We will usually have 12 months from the date we received the return to decide whether an enquiry is necessary to check the accuracy of the figures in the Partnership Tax Return.

Types of partnership

A partnership for the purposes of the Partnership Tax Return includes:

- a partnership governed by the Partnership Act 1890
- a limited partnership registered under the Limited Partnership Act 1907
- a limited liability partnership (LLP) registered under the Limited Liability Partnership Act 2000 unless the LLP
  - — does not carry on a business with a view to profit
  - — is being formally wound up

in which case the LLP may need to make a Corporation Tax Return.

It also includes any foreign entity which is regarded as a partnership for the purposes of the UK Taxes Acts.

Partnerships can be made up of persons some of whom are liable to Income Tax and some of whom are liable to Corporation Tax. Where a partnership consists only of persons liable to Corporation Tax this is referred to as a 'CT Partnership'. A partnership, which consists of some members who are liable to Income Tax and others to Corporation Tax, is not a 'CT Partnership'.

Return period for partnerships other than 'CT Partnerships'

Trading and professional income

You should return details of the partnership's trading and professional income and expenditure for the accounting period, or periods, ended on a date in the period 6 April 2014 to 5 April 2015. 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

You should return all taxed income for the period 6 April 2014 to 5 April 2015. 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 2014 to 5 April 2015 (if apportionment gives a reasonable approximation of the actual figures for that period) or provide the actual figures themselves.

You should return all untaxed income by entering the untaxed income of the accounting period(s) ended in the period 6 April 2014 to 5 April 2015.

Foreign income

You should return all foreign income which has had UK tax taken off (taxed income) for the period 6 April 2014 to 5 April 2015.

You should return all foreign income which has had no UK tax taken off (untaxed income) for the accounting period(s) ended in the period 6 April 2014 to 5 April 2015.

UK property income

You should return all UK property income for the accounting period(s) ended in the period 6 April 2014 to 5 April 2015.

Disposal proceeds on chargeable assets

You should return details of disposal proceeds on chargeable assets for the period 6 April 2014 to 5 April 2015.

Investment partnerships

Where, exceptionally, a partnership does not carry on a trade or profession, you should return all income including untaxed income and income from property, for the period 6 April 2014 to 5 April 2015.

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 2014 to 5 April 2015, (if apportionment gives a reasonable approximation of the actual figures for that period) or provide the actual figures themselves.

Return period for 'CT Partnerships'

If the partnership is a 'CT Partnership' you should return details for all classes of the partnership's income and so on (both untaxed and taxed) for the partnership's accounting period (or periods) ending on a date in the period 6 April 2014 to 5 April 2015.

Particulars to be supplied by a 'CT Partnership'

In the case of a 'CT Partnership' you should supply the same particulars, accounts and tax computations and fill in the same pages and boxes as for a partnership which has members who are individuals.

Management expenses and loan relationships and so on

Management expenses

If the partnership carries on an investment business, not amounting to a trade, and a member(s) of the partnership is liable to Corporation Tax, the partnership will need to calculate the amount of the management expenses it has incurred and to allocate a share of those expenses (by reference to the partnership's commercial profit sharing arrangements for the tax return period) to the relevant partner(s). You should set out your computation of the partnership's management expenses and the amount allocated to the relevant partner(s) in box 3.116 'Additional information', on page 3 of the Partnership Tax Return.

Loan relationships and so on

If the partnership has any profits, losses, income or expenses from loan relationships, including exchange fluctuations, or from certain derivative contracts, and any member(s) of the partnership is liable to Corporation Tax, each company member should calculate its own share of these amounts separately from the other profits and losses of the partnership business. Each company should compute its share as if the whole loan and so on was owed by or to that member, and not by or to the partnership, then allocate itself a share of the overall profit or loss according to the commercial profit sharing ratio for the relevant period. You should set out amounts so allocated to the company partner(s) in box 3.116, 'Additional information', on page 3 of the Partnership Tax Return.

Tonnage tax

If the partnership carries on a shipping business and any partner is a 'tonnage tax company' then the partnership must fill in form CT600F on the basis that the whole partnership business is carried on by a tonnage tax company. This form must accompany the Partnership Tax Return.

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, we treat this person 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 – read the notes for Question 5.

For advice on this and other foreign aspects of partnership taxation go to **www.hmrc.gov.uk/helpsheet380**

Question 1 Did the partnership receive any rent or other income from UK property?

If you do not tick the 'Yes' box, go to Question 2.

Fill in the Partnership UK property pages if the partnership received income from:
- UK land and property
- furnished holiday lettings in the UK or European Economic Area (EEA)

Go to **www.hmrc.gov.uk/forms/sa801.pdf**

Question 2 Did the partnership have any foreign income?

If you do not tick the 'Yes' box, go to Question 3.

Fill in the Partnership Foreign pages if the partnership received any:
- interest
- dividends
- rental income
- other income

from overseas savings and investments.

Go to **www.hmrc.gov.uk/forms/sa802.pdf**

Question 3 Did the partnership business include a trade or profession at any time between 6 April 2014 and 5 April 2015?

If you do not tick the 'Yes' box, go to Question 4.

Otherwise fill in boxes 3.1 to 3.117 as appropriate. The notes starting on page PTRG 7 will help you.

Question 4 Did the partnership dispose of any chargeable assets?

If you do not tick the 'Yes' 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 at any time acquired for actual consideration

Go to **www.hmrc.gov.uk/forms/sa803.pdf**

Question 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 not ordinarily resident in the UK?

If you do not tick the 'Yes' box, 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 individuals and companies, UK residents and non-residents, or tonnage tax companies as well as other partners, you may need 2 (or more) sets of Partnership Statements and the appropriate pages. For example, 1 set based on Income Tax rules and 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.

New rules in Finance Act 2014 made changes to the way that mixed membership partnerships (those comprising both individual and non-individual members) should calculate their profit or loss allocations for tax purposes. HMRC has published detailed guidance, including examples, which you can find by searching for 'mixed membership partnerships'. Go to **www.gov.uk** If you are unsure about the application of these new rules to your partnership then ask us or speak to your tax adviser.

Where the partnership includes a non-resident partner, generally you will need 2 sets of Partnership Statements, 1 of worldwide profits and 1 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 more guidance go to **www.hmrc.gov.uk/helpsheet380**

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 to fill in only 1 set of the relevant pages. Explain in box 3.116 'Additional information', on page 3 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, speak to your tax adviser before you do so.

Question 6 Are you completing this tax return on behalf of a European Economic Interest Grouping (EEIG)?

Although an 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 you should take references to partnerships as including groupings, and references to partners as including members of a grouping.

Where the grouping is registered in the UK, or has an establishment registered in the UK, its manager must make its tax return. Where there is no registration in the UK of an EEIG or an EEIG establishment, the member to whom the Partnership Tax Return is addressed, should fill it in.

Filling 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 2014 to 5 April 2015, the partnership carried on a trade or profession.

In some circumstances you may have to fill in more than 1 set of Partnership Trading pages. You should read the notes on **return period**, starting on page PTRG 4 to identify the return period (or periods) appropriate to your partnership before attempting to fill in the Partnership Trading pages.

If the partnership carries on a farming or similar business, go to **www.hmrc.gov.uk/helpsheet224** It explains the methods of farm stock valuation that we accept.

The partnership should have records of all its business transactions. You must keep these until at least 31 January 2021 and show them to us if you are asked to do so. For more information about record keeping go to **www.gov.uk/self-employed-records**

If the partnership had more than 1 trade or profession

You must fill in a set of Partnership Trading pages for each trade or profession carried on by the partnership. Either photocopy blank pages that you already have or go to **www.gov.uk/self-assessment-forms-and-helpsheets** or ask the Self Assessment Orderline for more copies.

Before you start

The business profit for any business is the difference between:

- the income of the business and
- allowable business expenses

Most smaller businesses can choose to record their business income and expenses (over the tax year) in 1 of the following ways:

- **Cash basis** – record money when it actually comes in and goes out of your business
- **Traditional accounting** (accruals basis) – record income when it is earned and expenses when they are incurred

Any business not eligible for the cash basis must use traditional accounting (accruals basis).

For more information on the cash basis and who can or cannot use it, go to **www.hmrc.gov.uk/helpsheet222**

There is also some information on eligibility for the cash basis in the notes to box 3.9 of this guide.

These Partnership Trading pages will help you to work out your taxable business profit and will provide us with the information we 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 starting on page PTRG 4 of this guide.

Step 2

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

Step 3

For each set of Partnership Trading pages:

- provide business details in boxes 3.1 to 3.13
- fill in boxes 3.13A to 3.23 if capital allowances and balancing charges are to be included in boxes 3.25 and 3.24 or 3.70 and 3.68
- if your annual turnover was below £81,000 (or would have been if you had traded for a whole year), give details of income and total expenses and work out the partnership's taxable profit in boxes 3.24 to 3.26 (except if you are within the Managing Deliberate Defaulters (MDD) programme, see page PTRG 13)
- if your annual turnover was between £81,000 and £15million (or would have been if you had traded for a whole year), fill in boxes 3.27 to 3.73. You should also register for VAT
- if your annual turnover was more than £15million, show the turnover, allowable expenses and net profit in boxes 3.24, 3.25 and 3.26. Also attach the partnership accounts and computations and send them with the return
- in all cases, fill in box 3.83 or 3.84 and the other boxes on page 5 as appropriate
- if you have a balance sheet, provide information about your business assets or liabilities in boxes 3.99 to 3.115 unless your annual turnover exceeded £15million and you are therefore attaching accounts and computations

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 us or your tax adviser. There is also a glossary of terms on page PTRG 21.

There is a helpful factsheet on what you need to know about keeping records go to **www.hmrc.gov.uk/factsheet/record-keeping.pdf**

Providing details of income and expenses

For most businesses the information on the Partnership Trading pages will enable you to present a full and fair picture of your business. If there are any points needing further explanation, provide details in box 3.116 'Additional information', on page 3 of the Partnership Tax Return. Do not send 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. You may consider the submission of further information, including perhaps accounts or supporting calculations, as necessary, for example, where:

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

If your annual turnover was between £81,000 and £15million (or would have been if you had traded for a whole year), you must fill in page 4 of the Partnership Tax Return as well, and page 5 as applicable. You should also register for VAT.

If your annual turnover exceeds £15million read the note on page PTRG 13 'Income and expenses – annual turnover more than £15million'.

If you do not have accounts

Even if you do not have accounts prepared for your business each year, you should still work out your taxable profit using either the cash basis (if eligible) or traditional accounting (accruals). These notes will help. For more advice on how we tax your profits, what to include as business income and what expenditure is allowable for tax, go to **www.hmrc.gov.uk/helpsheet222**

You will come across the terms 'accounting period' and 'accounting date' in both the notes to the Partnership Tax Return and certain helpsheets. 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
- '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. Helpsheet 229, 'Information from your accounts' gives practical help on filling in the Partnership Trading pages, including some worked examples. Go to **www.hmrc.gov.uk/helpsheet229**

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 box 3.116 'Additional information', on page 3 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 3.71, and explain why the entry is necessary in box 3.116 'Additional information' on page 3 of the Partnership Tax Return. (For the treatment of partners' personal expenses, read page PTRG 11.)

If the partnership has a single set of accounts which cover more than 1 business, you should transfer the figures to 1 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

We would normally expect you to fill in 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 PTRG 28 of this guide which explain the exceptional circumstances in which returns containing provisional figures may be accepted.

If you need to use 1 or more provisional figure you should still fill in all relevant boxes in the Partnership Trading pages, including the accounts information. If it is actually impossible to provide final or even provisional accounts information from which your taxable profit is to be calculated before the appropriate filing deadline for the Partnership Tax Return, you should provide 1 provisional figure for your taxable profit in box 3.83 and tick box 3.93. We 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' we mean within 3 months of the filing date.

If you have included any provisional figures, tick box 10.1 on page 8 of your Partnership Tax Return, and explain why you cannot provide final figures in box 3.116 'Additional information', on page 3 of your Partnership Tax Return. Give a date by which you expect to do so.

Estimates (including valuations)

In some situations you may need to provide an estimated figure or valuation that you do not intend to amend at a later date. If so, read the notes on page PTRG 28 of this guide.

Partnership and business details

You should provide details of the partnership's income and expenses for the accounting period(s) ended in the period 6 April 2014 to 5 April 2015.

If the partnership had more than 1 account ended in 2014–15

You may need to fill in a set of Partnership Trading pages for each period of account.

You should always fill in 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 that you already have, go to **www.gov.uk/self-assessment-forms-and-helpsheets** or ask the Self Assessment 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 want, fill in a single set of pages for that 12-month period by combining the accounts information required at boxes 3.24 to 3.26 or boxes 3.27 to 3.73. Otherwise you should fill in a separate set of pages for each accounting period.

If the partnership is a subcontractor in the construction industry and you have to fill in more than 1 set of Partnership Trading pages make sure that you fill in box 3.97 (for CIS deductions) on the pages for the most recent set of accounts.

If no accounts end in 2014–15

You should try to make sure that there is at least 1 accounting period ending in 2014–15. If you do not, the partners may have to use estimates to calculate their tax liability for 2014–15 and could end up being charged interest if the estimates are too low.

If no accounts end in 2014–15 you should:
- provide details of the partnership's income and expenses for the period 6 April 2014 to 5 April 2015
- enter 6 April 2014 to 5 April 2015 in boxes 3.4 and 3.5

Changing between self-employment and partnership

If, during the year ended 5 April 2015 a trade or profession carried on in partnership which was previously or is subsequently carried on by 1 of the members of the partnership as a sole trader, you should fill in boxes 3.24 to 3.26 or boxes 3.13A to 3.23 and boxes 3.27 to 3.73, boxes 3.82 to 3.117, as appropriate, in this Partnership Tax Return for any period of account ending in the year to 5 April 2015 during any part of which the business was carried on in partnership. This will enable you to make the allocation of partnership profits or losses in the Partnership Statement.

If the partnership ceased between the accounting date in 2014–15 and 5 April 2015, and:
- 1 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 2015

in addition to completing a set of Partnership Trading pages for the accounting period ended in 2014–15, also fill in a set of Partnership Trading pages for the accounting period ended in 2015–16 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 2014–15 during which this business was carried on exclusively by a sole trader, fill in boxes 8 to 29 on the Self-employment (short) pages (or boxes 14 to 64 and boxes 82 to 98 of the Self-employment (full) 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 3.7 or box 3.8 of the Partnership Tax Return, as appropriate.

How to fill in the pages

Box 3.2

Make sure that you fill in this box for each set of Partnership Trading pages that you need to submit.

Boxes 3.4 and 3.5

Enter the details of the period to which the information at boxes 3.24 to 3.26, or alternatively boxes 3.27 to 3.73, will relate.

Box 3.7

If the partnership trade or profession started after 5 April 2012, you should enter the start date. If your accounting date has changed since then, go to **www.hmrc.gov.uk/helpsheet222**

Box 3.8

If the partnership trade or profession was sold or closed down before 6 April 2015, you should enter the date it ended in box 3.8. If this is not the same as the date in box 3.5, you must fill in another set of Partnership Trading pages to show the trading results for the remaining period.

Box 3.9

Tick box 3.9 if the partnership trade or profession used the cash basis to calculate its income and expenses.

The cash basis is a simpler way of working out your business profits or losses. You add up all the income received and take off any allowable expenses paid in the accounting period. You do not include money the partnership owes or that is owed to the partnership at the end of year date.

You can use, or may already be using, the cash basis if the partnership business income does not exceed £81,000 (this is also the turnover threshold above which you have to register for VAT).

Most business partnerships can use the cash basis if their total income makes them eligible. If you are a partner in a partnership that you control and you have separate trading activities, you will need to add together the receipts from all your businesses to those of the partnership to find out if you can use the cash basis. If you use the cash basis for one of your businesses you must use it for all of them.

Limited liability partnerships and the following specific types of businesses cannot use cash basis:
- partnerships with one or more corporate partners
- Lloyd's underwriters
- farming businesses with a current herd basis election
- farming and creative businesses with a section 221 ITTOIA profit averaging election
- businesses that have claimed Business Premises Renovation Allowance
- businesses that carry on a mineral extraction trade
- businesses that have claimed Research and Development Allowance

If the partnership uses cash basis:
- only record income when it is received
- record expenses when they are paid
- payments for equipment, including vans, are

allowable expenses
- any losses cannot be set off against other income
- the partnership cannot use capital allowances (read notes to boxes 3.13A to 3.23 of this guide) for anything except cars

For more information about the cash basis, go to **www.hmrc.gov.uk/helpsheet222**

Box 3.10

Tick box 3.10 if the partnership has succeeded to a business previously carried on by a sole trader and that person has included the accounts information in their tax return (read the notes in this guide on 'Changing between self-employment and partnership'). If you tick box 3.10 you do not need to fill in boxes 3.14 to 3.93 and boxes 3.99 to 3.115.

Box 3.11

Tick box 3.11 if the partnership's accounts do not cover the period from the last accounting date or if no accounts end in 2014–15. Explain why in box 3.116 'Additional information', on page 3 of the Partnership Tax Return.

Boxes 3.12 and 3.13

There are special rules where a partnership changes its accounting date. Tick box 3.12 if your accounting date has changed and this is a permanent change which you wish to count for tax. Tick box 3.13 (as well as box 3.12) if this is the second or further change in the partnership's accounting date since 5 April 2009 and explain why this change has been made in box 3.116 'Additional information', on page 3 of the Partnership Tax Return. The special rules are explained in Helpsheet 222, 'How to calculate your taxable profits'.
Go to **www.hmrc.gov.uk/helpsheet222**

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 the profit-sharing arrangement should take into account these 'personal' expenses.

If relief is to be given for any expenses incurred under this type of agreement, you must include the expenses in the relevant entries made in box 3.25 or boxes 3.51 to 3.63 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 make sure that the partner receives the benefit due under the partnership agreement by making a 'fixed adjustment' when allocating shares of profit (read the notes on pages PTRG 24 to PTRG 27 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, you must include these allowances in the entries made in boxes 3.13A to 3.23 and reflect them in boxes 3.24 and 3.25 or boxes 3.68 and 3.70. (You may also need to make corresponding adjustments to the entries in boxes 3.112 to 3.114 – read page PTRG 19 of this guide.)

Example 1

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 capital 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 3.52; £2,000 in box 3.55 and £750 in box 3.14 or box 3.70.
A corresponding 'fixed adjustment' (minus £3,750) should be made when allocating profit for Dr Robert (read the notes on pages PTRG 24 to PTRG 27 of this guide).

Capital allowances and balancing charges

Boxes 3.13A to 3.23, boxes 3.68 and 3.70

In working out the partnership's taxable profits you must not deduct:
- the cost of buying, altering or improving fixed assets
- depreciation or any losses which arise when the partnership sells them

Instead, the partnership can claim tax allowances called capital allowances. You deduct these in working out the partnership's profits and include them in box 3.70 (or box 3.25).

You cannot claim capital allowances if you are using cash basis. The only **exception** is cars.
A partnership can claim capital allowances on cars, or alternatively may use simplified expenses.

If the partnership has previously claimed capital allowances for a car used in its business, you cannot use simplified expenses. You can continue to claim the allowance and any business part of the actual running costs as a business expense.

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. You add these to the partnership's profits and include them in box 3.68 (or box 3.24). You should fill in a separate series of boxes 3.13A to 3.23 for each set of Partnership Trading pages that you complete. You need separate capital allowances calculations for each of the partnership's accounting periods.

From April 2012 if you purchase or sell a property which contains fixtures (such as kitchen fittings, electrical or heating systems) you must agree the part of the purchase price to be attributed to those fixtures with the other party to the sale. Normally, you should fix your mutual agreement by means of a joint election (called a 'section 198' or 'section 199' election) which you must notify to HMRC within 2 years of the date of transfer.

From April 2014 if you buy or sell a property the new owner will not be able to claim allowances for fixtures if the past owner did not pool their qualifying expenditure on the fixtures. Pooling includes making a claim for First Year Allowance 'FYA' or Annual Investment Allowance in respect of the expenditure. It is not necessary for the last owner to claim writing down allowances. As a rule, the past owner is the last person who was entitled to claim capital allowances on the fixtures.

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 your calculation, go to **www.gov.uk/business-tax/capital-allowances**

For information on Business Premises Renovation Allowance read the notes for boxes 10.4 and 10.5 on page PTRG 29 of this guide.

Income and expenses – annual turnover below £81,000

If the annual turnover (excluding any balancing charges) is below £81,000 for a full year, you may fill in boxes 3.24 to 3.26 on page 3 of the Partnership Tax Return instead of boxes 3.27 to 3.73 on page 4 (except if you are within the Managing Deliberate Defaulters (MDD) programme, read page PTRG 13).

If the turnover was for a period of less than 12 months you should reduce the figure of £81,000 proportionately. For example, if the partnership only traded for 6 months you must fill in boxes 3.27 to 3.73 if the turnover was more than: $\frac{6}{12}$ x £81,000 = £40,500.

But you must fill in one section or the other, and fill in boxes 3.15 to 3.23 if you have any balancing charges, and boxes 3.13A to 3.22 if you are claiming capital allowances.

Box 3.24

Enter your business income in box 3.24. If you are using traditional accounting, 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. If you are using the cash basis, you don't need to include the normal selling price but should include the disallowable amount (normally the cost of the goods taken out). Include any balancing charges (from box 3.23).

Box 3.25

Enter your allowable business expenses in box 3.25. Make sure that you do not include in your expenses any items which are not allowable against tax (the Table of disallowable expenses on page PTRG 14 of this guide will help you to decide). From 2013–14, partnerships (other than partnerships with 1 or more corporate partners) may opt to use flat rates instead of working out their actual business expenses for certain types of business expenditure – read the notes on 'Simplified expenses' on page PTRG 16 of this guide for more information. Include any capital allowances (from box 3.22).

Box 3.26

Subtract the figure in box 3.25 from the figure in box 3.24 and put the result in box 3.26 (put a loss in brackets).

Income and expenses – annual turnover between £81,000 and £15million

If the annual turnover was between £81,000 and £15million (or would have been if you had traded for a whole year), you must fill in boxes 3.27 to 3.73 on page 4. You must also fill in page 5 as applicable, any relevant supplementary pages and a Partnership Statement.

Income and expenses – annual turnover more than £15million

If the combined annualised turnover from all of your activities was more than £15million, you should fill in boxes 3.13A to 3.23 and boxes 3.24 to 3.26 instead of page 4, and send the partnership accounts and computations with the Partnership Tax Return. You must also fill in page 5 as applicable, any relevant supplementary pages and a Partnership Statement.

If the partnership has been told that they are within the Managing Deliberate Defaulters (MDD) programme you should fill in all applicable boxes from box 3.27 through to box 3.117, and not boxes 3.24 to 3.26. If the partnership has been told that they are the subject of the additional reporting requirements, you must also send the detailed partnership accounts, balance sheet and computations with the Partnership Tax Return. These should identify and explain the nature and amount of any figures contained in those accounts that cannot be vouched by physical or electronic records made at the time that the underlying transactions took place, or written confirmation that no such figures are included. In all cases fill in box 3.83 or box 3.84 on page 5 and other applicable boxes on page 5.

Value Added Tax

Boxes 3.27 and 3.28

If the partnership is not registered for VAT, your sales figure will not include any VAT. Expenses in boxes 3.30 to 3.64 should include VAT. Do not tick either box 3.27 or box 3.28.

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. Do not tick either box 3.27 or box 3.28.

If the partnership is registered for VAT and is not within the Flat Rate Scheme (see below), 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 you should include either your net payment to us as an expense in box 3.63 or any net repayment you receive from us as a taxable receipt in box 3.50. Tick either box 3.27 or box 3.28 to show whether entries in boxes 3.29 to 3.64 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 3.27 and include the following details in box 3.116 'Additional information', on page 3 of the Partnership Tax Return:

- 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 3.27 or box 3.28 to show whether entries in boxes 3.30 to 3.64 include or exclude VAT.

Similar action is required if the VAT registration was cancelled during the period, except that the details to appear in box 3.116 'Additional information', should include 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 the VAT Flat Rate Scheme you may enter details of your business income and allowable expenses either:

- all net of VAT (that is, with the VAT figure taken off) – method 1
- all inclusive of VAT – method 2

If you use method 1 you should include:

- at box 3.50 any balance on your VAT account that is not paid over to us (that is, the amount of VAT on your income which exceeds the VAT that you have paid on your expenses plus the payment under the Flat Rate Scheme)
- at box 3.63 any balance on your VAT account that you cannot recover from us (that is, the VAT on your expenses plus the payment under the Flat Rate Scheme minus the VAT on your income)

If you use method 2, include the net payment to us under the Flat Rate Scheme as an expense at box 3.63.

Tick either box 3.27 or box 3.28 to show whether the entries in boxes 3.29 to 3.64 include or exclude VAT.

If the partnership is registered for VAT but we treat it as partly exempt, for the purposes of calculating the taxable profits, business expenditure includes any input tax which is not claimable. Where you fill in boxes 3.29 to 3.64 on a VAT inclusive basis the inclusion of your net payment to, or net repayment from, us in boxes 3.63 and 3.50 respectively will reflect this. However, if you fill in the boxes on a VAT exclusive basis please make sure 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, us 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 box 3.116 'Additional information' on page 3 of the Partnership Tax Return. Include the amount of VAT that you have paid on the capital items in the calculations of capital allowances summarised at boxes 3.13A to 3.23.

If you are in any doubt about the correct treatment of VAT, please contact us or your tax adviser.

Sales/business income (turnover)

Box 3.29

Enter the amount of your business income in box 3.29. If it includes income from which tax has been taken off, enter in box 3.97 or box 3.11[illegible], as appropriate, the total tax taken off between 6 April 2014 and 5 April 2015.

Business expenses

Boxes 3.30 to 3.63

You should include all your business expenses in boxes 3.46 to 3.48 and boxes 3.51 to 3.63.

You can only claim for expenses which are incurred wholly and exclusively for business purposes. Some of the amounts you put in boxes 3.46 to 3.63 may not be allowable for tax. As you enter them, put any disallowable amounts in boxes 3.30 to 3.45. Enter in box 3.66 the total of these disallowable amounts.

From 2013–14, partnerships (other than partnerships with one or more corporate partners) may opt to use flat rates instead of working out their actual business expenses for certain types of business expenditure – read the notes on 'Simplified expenses' on page PTRG 16 of this guide for more information.

Table of disallowable expenses

Box	Disallowable expenses
3.30	Fuel expenses attributable to non-business use of vehicles.
3.31	Any payments made relating to non-business work.
3.32	Depreciation of fixed plant.
3.33	Employment costs that are not paid within 9 months of the end of the period of account, or any payments made for non-business work.
3.34	Non-business part of premises costs used partly for business. Costs of acquiring premises.
3.35	Cost of repairs of non-business parts of premises and equipment used partly for business. Costs of alteration, improvements or replacements to business premises.
3.36	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.
3.37	Non-business motoring. Travel between home and business. Costs of buying vehicles. Parking and other fines.
3.38	Meals (except the reasonable cost of meals on overnight business trips).
3.39	Entertaining and hospitality (except gifts of up to £50 a person a year advertising your business and are neither food nor drink, and the costs of entertaining staff).
3.40	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.
3.41	General bad debts reserve. Debts that were not taxed when they arose, for example, because they relate to a sale of a fixed asset. Not relevant if your business is using the cash basis.
3.42	Repayment of the loan, alternative finance arrangement or overdraft. In addition, if your business is using the cash basis, the maximum allowable amount for interest on the loan is £500 - disallow any amounts in excess of this.
3.43	Repayment of the loan, alternative finance arrangement or overdraft.
3.44	Generally, depreciation and losses on assets are not allowable for tax, and profits on assets are not taxable receipts. You should cancel any figure in box 3.62 by putting the same figure in box 3.44. 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 us or your tax adviser.
3.45	The non-business part of expenses in box 3.63. Ordinary, everyday clothing even if bought specially for business use.

Table of total expenses

Box	Total expenses
3.46	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 minus 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 and so on, and those in the road haulage industry should enter fuel expenditure in this box rather than elsewhere unless they are claiming mileage rate. If the business is using the cash basis, include the cost of expenses when they are paid for. It is not necessary to calculate opening and closing stock/work-in-progress to calculate your expenses when using the cash basis. 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, (it won't be if you are using the cash basis), make it here; otherwise leave the box blank. If the figure is negative, enter it in brackets.
3.47	Include all payments to subcontractors in the construction industry. Enter the gross amount before deduction if any payments have been made to subcontractors paid under deduction.
3.48	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.
3.51	Salaries, wages, bonuses, pensions, benefits, employer's NICs and so on for permanent, temporary and casual employees and other staff-related costs such as canteen expenses and recruitment agency fees and so on. Any subcontract labour costs, including locum fees, not included elsewhere should be included here. The partner's employment costs (for example, salaries, drawings, pension payments and other benefits or National Insurance contributions) should not be included.
3.52	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.
3.53	Repairs and general maintenance of business premises and machinery.
3.54	Phone, fax, postage, stationery and printing costs, courier services, general office expenses, the costs of trade or professional journals and subscriptions and costs of insurance not included elsewhere and other similar recurring costs which arise in running the business.
3.55	Insurance, servicing, repairs, vehicle licence, petrol or diesel hire and leasing charges, parking charges, motoring organisation membership.
3.56	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.
3.57	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. Also include entertainment costs here.
3.58	Accountant's, solicitor's, surveyor's, architect's, stocktaker's and other similar costs, together with professional indemnity insurance premiums and the like.
3.59	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 that you include it in box 3.50 in that later year's Partnership Tax Return. This will not apply if you are using the cash basis.
3.60	Interest on bank and other loans (including overdrafts) and alternative finance payments. If you are using the cash basis, the maximum amount you can enter here is £500.
3.61	Bank charges, credit card charges, hire purchase interest, and leasing payments, alternative finance payments, together with other similar costs not included elsewhere.
3.62	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 enter a disposal in the Partnership Disposal of Chargeable Assets pages.
3.63	Add up all the expenses not included elsewhere and enter the total figure.

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 2**
>
> The total motor expenses included in box 3.55 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. Put the private use proportion of £1,000 in box 3.37.

If any of the amounts in boxes 3.46 to 3.48 and boxes 3.51 to 3.63 are recoverable under an insurance, you should include such amounts in the disallowable expenses to be entered in boxes 3.30 to 3.45. However, there is no need to do this if you have included that insurance recovery in turnover (box 3.29) or under other income (box 3.50).

Simplified expenses

From 2013–14, you may use a scheme of simplified expenses for calculating certain types of business expenditure. You do not have to use simplified expenses. You can decide if it suits the partnership business. You do not have to be using the cash basis in order to use simplified expenses.

Partnerships with 1 or more corporate partners cannot use the simplified expenses scheme.

With simplified expenses, you can use flat rates instead of working out your actual business expenses. You can use simplified expenses for:

- business costs for vehicles (a flat rate for mileage instead of the actual costs you paid for buying and maintaining the vehicle) and either
- business use of your home (a flat rate based on the hours you work from home each month or
- private use of business premises as a home (deduct from your total expenses a monthly flat rate based on the number of occupants each month)

All other expenses must be calculated in the usual way.

Helpsheet 222 gives more information, including details of the flat rate to be used in 2014–15 if claiming simplified expenses, go to **www.hmrc.gov.uk/helpsheet222**

Other income/profits

Box 3.50

Enter in box 3.50 any business income which you did not include as turnover in box 3.29. Examples might include rental income, interest and alternative finance receipts from a business bank or building society account, discounts received, non-arm's length reverse premiums and so on. Reverse premiums are payments or benefits which are received as an inducement to take a lease of any property other than your only or main residence. If the leased property is to be occupied for the partnership's trade, profession or vocation the reverse premium will be a taxable receipt. If you have any doubt about the proper tax treatment of a reverse premium, ask us or your tax adviser.

If you are including this income in a different place on the Partnership Tax Return make sure that you deduct it at box 3.71. For example, you should not include bank interest in the net business profit or loss entered in box 3.73 if you intend to include it in Question 7, on page 8 of the return.

Partnership charges

Box 3.63

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 3.45.

However, individual partners can claim relief for their shares of any trade charges paid during the period 6 April 2014 to 5 April 2015 (but only charges paid for wholly commercial reasons in connection with the partnership trade or profession). Read the notes for box 3.117 on page PTRG 19 of this guide.

Other expenses

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

Additional information (box 3.116)

Use box 3.116 on page 3 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 expenses) included in the figures

- details of receipts or expenses connected with the business which for any reason are not included in the figures
- an explanation of any tax adjustment to the net profit where the reason is not apparent from these figures
- 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. More guidance is in Helpsheet 229, 'Information from your accounts'.

Tax adjustments to net profit or loss for this accounting period

Box 3.66

Enter in box 3.66 the total of disallowable expenses included in boxes 3.30 to 3.45.

Box 3.67

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 3.67 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 3.29.

Box 3.71

You should make adjustments (deduct from a profit or add to a loss) in box 3.71 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. You must include any taxable income that you include in box 3.71 in the appropriate part of the Partnership Tax Return.

The provision of personal services through a partnership – deemed employment payment

Special rules about tax and National Insurance contributions (NICs) may apply if the partnership provides a partner's services or the services of others to clients, and the partner and partnership can answer 'yes' to both the following questions.

- If the partner did not work through the partnership, would they be an employee of the client?
- Does the partnership the partner works through meet one of the following conditions?
  - — The partner (or their family) is entitled to 60% or more of the partnership profits
  - — More or all of the partnership's profits come from providing services to a single client
  - — The partnership's profit-sharing arrangements ensure that the partner receives an amount based upon the amounts received for their services to clients

If the rules apply, the partner may have to pay additional tax and NICs at the end of the tax year or earlier if they stopped being a partner. The partner will need to fill in an SA102 Employment page to show both the amount received, and any tax taken off.

Because the additional amount (a deemed payment) is treated as income from employment, the partnership has to apply PAYE and NICs. The partnership can take off the (deemed) payment, and any secondary Class 1 NICs paid, when working out the partnership profits.

You can only use the deduction once as a tax adjustment when working out the taxable income of the partnership. Any relief is given against the profits for the accounting period in which the (deemed) payment is made (normally 5 April) and must not be split between the partnership's accounting periods where the partnership makes up its accounts to a date other than 5 April.

The amount of the deduction allowed when working out the profits is limited to the amount that reduces those profits to nil. This means that the deemed payment and the secondary NICs on that payment cannot make a loss.

Where the partnership expenses paid for doing the work exceed the allowed expenses and the 5% flat-rate allowance, any excess amount (when working out the deemed payment) is left out of the taxable profits.

Put any adjustment for disallowable expenses in box 3.66 and the amount of the deemed payment and any secondary Class 1 NICs in box 3.71 on the Partnership Tax Return. If the accounts already include a deduction for secondary Class 1 NICs, for example, under employee costs, include this amount in box 3.66.

You must tell us how you worked out your figures in 'Additional information', box 3.116, on page 3 of the Partnership Tax Return.

Example – Deemed payment calculation

Mr and Mrs Jones are in partnership and make up their accounts to 5 April 2015. All the partnership's income comes from contracts covered by the new rules. Profits are split equally but Mrs Jones carries out the services.

Partnership accounts year ended 5 April 2015

Income	£20,000
Expenses (A)	£5,000
Profit	£15,000

Allocated to Mrs Jones £7,500 and Mr Jones £7,500 each.

Of the partnership's expenses, only £2,000 of the £5,000 would be allowable under employment income rules.

Calculation of deemed payment on 5 April 2015

Income from relevant engagements	£20,000
Minus	
5% flat-rate allowance (£20,000 x 5%) (B)	£1,000
Employee expenses (C)	£2,000
Secondary Class 1 NICs on deemed payment	£1,374
Deemed payment	= £15,626

Recalculation of partnership's taxable profit

Partnership profit (enter at box 3.65)		£15,000
Add		
Disallowed expenses (A) minus (B + C)		
£5,000 minus (£1,000 + £2,000)		£2,000
(enter at box 3.66)		= £17,000

Please note: The disallowed expenses are the excess of the partnership expenses in the accounts (A) over the sum of the 5% flat-rate allowance (B) and employee expenses (C).

Minus		
Secondary Class 1 NICs on deemed payment	£1,374	
Deemed payment (enter at box 3.[illegible]1)	£15,626	£17,000
Taxable trading profit (enter at box 3.73)		0

Please note: The deemed payment amount is always restricted to an amount that reduces the trading profit to nil.

Salaried members: new rules for LLPs from 2014–15

Finance Act 2014 introduced new rules for the treatment of 'salaried members'. These are members of LLPs who are engaged on terms that are closer to employment than self-employment. There are three Conditions; if all 3 of these are met then the individual will be treated as an employee rather than self-employed. If this is the case, then the LLP must operate PAYE on their earnings, and their salary and NICs costs are deductible as with any other employee.

Further detailed guidance, including examples, is available by searching for 'salaried members' go to **www.gov.uk**

If you are unsure whether the new rules apply to your LLP, ask us or consult your tax adviser.

Taxable profit or loss for this accounting period

Boxes 3.83, 3.84 and 3.93

Fill in box 3.83 or box 3.84 in all cases. If box 3.73 is a profit, enter the amount of the profit in box 3.83 and '0' in box 3.84.

If box 3.73 is a loss, enter '0' in box 3.83 and the amount of the loss in box 3.84.

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 Tax Return, provide an estimate of the taxable profit or loss in boxes 3.83 or 3.84 and tick box 3.93. Read the notes on pages PTRG 9 and PTRG 28 of this guide, and tick box 10.1 on page 8 of the Partnership Tax Return. It would also help if you say in box 3.116 'Additional information', on page [illegible] of the Partnership Tax Return:

- why you cannot give a final figure in box 3.83 or box 3.84
- an approximate date on which you expect to give your final figure

Subcontractors in the construction industry

Box 3.97

If the partnership is a subcontractor in the construction industry, it may have received payments made under the Construction Industry Scheme. If it has, enter in box 3.97 the total of the deductions made on account of tax from payments made to the partnership during the period 6 April 2014 to 5 April 2015 (read page PTRG 5 of this guide if you are a 'CT Partnership'). If you are completing more than 1 set of Partnership Trading pages enter this information on the pages for the most recent set of accounts.

Deductions are shown on 'payment and deduction statements' which the partnership should have received from the contractor(s) for whom it worked. Contractors must give these statements to subcontractors who are paid under deduction. Please do not send these statements with the Partnership Tax Return. If you have not received payment and deduction statements, you should ask the contractor(s) for whom the partnership worked to provide them.

If you cannot get a statement, please give the following details:

- name and address of the contractor
- month payment(s) made to you
- amount of the gross payment
- amount deducted on account of tax

in box 3.116, 'Additional information', on page 3 of the Partnership Tax Return.

If you were given a statement but you have lost your copy, ask the contractor to give you another copy.

Tax taken off trading income

Box 3.98

Enter in box 3.98 any tax taken off amounts returned as trading income (excluding deductions made by contractors on account of tax) between 6 April 2014 and 5 April 2015 (read page PTRG 5 of this guide if you are a 'CT Partnership'). If you are completing more than 1 set of Partnership Trading pages enter this information on the pages for the most recent set of accounts.

Summary of balance sheet for this accounting period

Box 3.99 to 3.115

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, leave these boxes blank. If the partnership's annual turnover was more than £15m, leave these boxes blank and send the full accounts and computations with the return.

Make sure that you have transferred all the figures to the summary in boxes 3.99 to 3.115 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 – read the note on page PTRG 11 of this guide).

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 put the balance in box 3.103, while if the account is overdrawn you should put that balance in box 3.107.

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. You should give the total figures for all the partners here.

The figure of net profit or loss appearing in the balance sheet should be the same as that you entered in box 3.65 for the same period. The figure for net business assets in box 3.110 should equal the figure for the balance of the Capital Account at the end of the period (box 3.115).

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 3.112 to 3.114
- use the accounts figures in boxes 3.112 to 3.114 and provide a reconciliation in box 3.116 'Additional information', on page 3 of the Partnership Tax Return

Partnership trade charges

Box 3.117

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 3.117 the net amount of charges paid for wholly commercial reasons in connection with the partnership trade or profession during the period 6 April 2014 to 5 April 2015 (read page PTRG 5 of this guide if you are a 'CT Partnership'). That is the net amount paid after tax is taken off.

You must separately identify the amount entered in box 3.117 in the Partnership Statement.

Foreign income and tax credits

If any of the income included in the entries in box 3.26 or box 3.73 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 3

An entry in box 3.73 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 3.26 or box 3.73.

Example 4

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 box 3.116 'Additional information', on page 3 of the Partnership Tax Return.

Transfer of information to the Partnership Statement

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

Transfer the amount of:

- any 'adjustment' in box 3.82 to box 11A; only adjustment income allocated to those who were partners during the return period should be transferred to the Partnership Statement – read Helpsheet 238 for more information on completing the Partnership Tax Return
- any net profit in box 3.83 to box 11
- any net loss in box 3.84 to box 12
- any CIS deductions made on account of tax in box 3.97 to box 24
- any tax taken off trading income in box 3.98 to box 24A
- any partnership charges in box 3.117 to box 29

If you want to allocate these figures between the partners at the same time, read pages PTRG 24 to PTRG 27 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.

Cash basis

A simpler way of working out your business profits or losses using income received and expenses paid.

First year allowance

A capital allowance at a rate higher than the usual writing down allowance. It is given for the year in which an asset is acquired and is given instead of a writing down allowance.

Fixed assets

Assets such as buildings, plant and machinery, vehicles, and so on 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 profit is likely to be regarded as a trade. If you are in doubt about whether you carried on a trade, profession or vocation during 2014–15, ask us or your tax adviser.

Traditional accounting (accruals basis)

A way of working out your business profits or losses using generally accepted accounting practice. You should include in your turnover all money when it is earned, even if the partnership did not receive the money until later. Amounts that you have earned but not received by the accounting date should therefore be counted as turnover. This will include goods the partnership had delivered by the accounting date, even if the partnership had not issued a bill by then. But make sure that you do not count money the partnership received in this period that was included as turnover in an earlier period when it was earned.

Turnover

The income of your business before deducting any business expenses. Turnover is the money **received** by your business if you use 'cash basis' or the total takings, fees, sales or money **earned** by your business if you use traditional accounting (accruals basis). 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. 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.

Work in progress

Partially manufactured stock the partnership has on hand.

Question 7 Did the partnership receive any other income which you have not already included elsewhere in the Partnership Tax Return?

If you do not tick the 'Yes' box, go to the Partnership Statement on page 6 of the Partnership Tax Return.

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

Exclude

Premium Bond, National Lottery and gambling prizes.

Accumulated interest on National Savings & Investments 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 include those that are trading receipts because they are to meet the sick pay of employees.

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 mean that each partner's share of the gain should be shown on their personal tax return. If you need more help, ask us or your tax adviser.

Accrued income on transfer of securities.

Profits from selling certificates of deposit.

Include

Interest, including interest in kind and alternative finance receipts from UK banks or building societies.

Interest and alternative finance receipts from savings held at an overseas branch of a UK bank or building society.

Interest distributions from UK authorised unit trusts, open-ended investment companies and investment trusts.

National Savings & Investments First Option Bonds, (no longer on sale) Guaranteed Income Bonds and Guaranteed Growth Bonds.

Income from other National Savings & Investments products (except accumulated interest on National Savings & Investments Certificates).

Other savings income, disguised interest, annuities, deeply discounted securities.

Dividends from UK companies, UK authorised unit trusts, open-ended investment companies and investment trusts.

Property income distributions ('PIDs') from UK Real Estate Investment Trusts ('REITs') and Property Authorised Investment Funds ('PAIFs').

Other distributions.

UK stock dividends.

Other income of the partnership which is not included elsewhere in the Partnership Tax Return.

Interest in Kind

Interest includes interest received in non-cash form. You will usually receive any interest in kind, that is non-cash interest, after tax has been taken off. The company or person taking off the tax must provide you with a statement showing the value of the interest before tax is taken off, the amount of tax taken off, the net value of the interest paid and the date of the payment.

Disguised interest

If you receive an interest-like amount from financial products or arrangements it will be taxable under new rules for 'disguised interest' if it is not taxed under other rules.

An amount will be 'interest-like' if it is calculated like interest and it is practically certain from the outset that you will receive it. The new rules apply to products you invest in and arrangements you enter into from 6 April 2013 onwards.

If the partnership has:

- received cash as a result of a merger of 2 or more building societies
- 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
  - — a takeover 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 us or your 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 box 3.116 'Additional information' on page 3 of the Partnership Tax Return
- if the payment is liable to Capital Gains Tax (which is likely if the partnership received it following a conversion or takeover 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 takeover or conversion, then you may need to supply details only when it disposes of those shares. For more information download the Partnership disposal of chargeable assets notes. Go to **www.hmrc.gov.uk/worksheets/sa803-notes.pdf**

Filling in the boxes

If the partnership's only other income is interest or alternative finance receipts paid with tax taken off by a bank or building society, fill in boxes 7.7A to 7.9A on page 8. Otherwise go to **www.hmrc.gov.uk/forms/sa804.pdf** for the full Partnership Savings pages or phone the Self Assessment Orderline for a copy and fill in those instead.

Interest and alternative finance receipts paid with tax taken off

The return period for all taxed income is the period 6 April 2014 to 5 April 2015. (Read page PTRG 5 of this guide if you are a 'CT Partnership'.)

Boxes 7.7A to 7.9A

Interest and alternative finance receipts are generally paid after tax is taken off. The partnership's bank or building society statement or passbook will usually show you the amount of interest or alternative finance receipts after tax (sometimes described as 'net' interest or alternative finance receipt), the amount of tax taken off and the amount of interest or alternative finance receipt before tax taken off ('gross' interest or alternative finance receipt). Add up the amounts for the year ended 5 April 2015 from all the partnership's accounts. Put the totals in box 7.7A, box 7.8A and box 7.9A. If you do not have the information you should ask the bank and so on 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 2 types of Partnership Statement:

- a 'full' version covering all the possible types of partnership income
- a 'short' version for partnerships that have only trading or professional income and interest or alternative finance receipts with tax taken off from banks, building societies or other deposit takers

The Partnership Tax Return that we have sent to you includes the 'short' Partnership Statement. Ask the Self Assessment Orderline if you need the 'full' version SA800(PS) or go to **www.gov.uk/self-assessment-forms-and-helpsheets**

You may need to fill in more than 1 Partnership Statement if, for example, the partnership has made up more than 1 account ending in 2014–15 or if the partners included companies or non-residents – read the notes for Question 5 on page PTRG 6 of this guide.

The 'short' Statement caters for up to 3 partners. If there were more than 3 partners, either photocopy page 7 of the Partnership Tax Return before you fill it in and use the photocopies, go to **www.gov.uk/self-assessment-forms-and-helpsheets** or ask the Self Assessment Orderline for more copies. Attach the pages to the Partnership Tax Return when you send it back. 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 2014–15
- shares of profit (and related items) allocated to the partners who were members of the partnership during the return period or periods covered by the Partnership Tax Return

The return periods for different types of income are explained on page PTRG 4 of this guide.

You need only fill in the boxes appropriate to your partnership. You should enter a valid Unique Taxpayer Reference (UTR) for each partner in box 8 on the Partnership Statement.

Requests to register and obtain a UTR for either a UK resident partner or a non-UK resident partner should be made using:

- form SA401 for an individual
- form SA402 for a partner who is not an individual

go to **www.gov.uk/register-for-self-assessment**

You must also allocate each item in the summary of the partnership profit to the partners.

A summary of the shares allocated to each partner is needed for each partner who was a member of the partnership during the period (or periods) covered by the Partnership Tax Return. Each partner will also need this same information to fill in their personal tax return for 2014–15 (or for 2013–14 if they ceased to be a partner before 6 April 2014 but during the return period covered by the Partnership Tax Return).

If the profits are shared between the partners on a simple percentage basis (for example, 50% each), then we do not need any more information. We can work out the profit sharing arrangement from the allocated shares if we 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 box 3.116 'Additional information', on page 3 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 usually provide all the information partners need to fill in 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 usually follow the commercial profit sharing arrangement for the period for which that profit (or related item) has been returned.

However, there are special rules for 2 situations:
- where the commercial allocation produces a mixture of notional profits and losses
- where the new 'mixed membership' rules apply

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 5

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

Mrs Smith was entitled under the terms of their partnership agreement to a salary of £2,000 with the balance of profits being shared equally, that is:

£10,000 - £2,000 = £8,000 x 50% = £4,000 each.

For Mr Jones the total profit allocated is £4,000 and is entered in box 11 in Mr Jones' Statement.

For Mrs Smith, the total profit allocated is:

£2,000 + £4,000 = £6,000 and is entered in box 11 in Mrs Smith's Statement.

The 'Additional information' box, box 3.116 on page 3 of the Partnership Tax Return should be completed to show that Mrs Smith 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 6

Mr Red, Ms White and Mrs Blue are in partnership and made a trading profit of £8,900, so the entry in box 11 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.

So 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:

(4,700)	:	(4,700)	or	50%	:	50%
(9,400)		(9,400)				

	Red	White	Blue	Total
Net allocated	£4,700	£4,700	(£500)	£8,900
Percentage	(50%)	(50%)	(0%)	
Reallocated	£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 minus £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 [illegible] of the Partnership Tax Return should be completed to explain that Mr Red and Ms White are entitled to salaries of £5,200 and the balance of profits are shared equally.

If you need more advice on how to allocate profits (or losses), please ask us or your tax adviser.

Mixed membership partnership rules

New rules in Finance Act 2014 require the reallocation of profits or losses under certain circumstances. A mixed membership partnership is a partnership which has both individual and non-individual members. Further guidance on the application of these rules can be found by searching for 'mixed membership partnership', go to **www.gov.uk**

If you are unsure about the applicability of these rules, or how to allocate profits or losses when they apply, then ask us, or contact your 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 2014 to 5 April 2015, then the allocation should be made to the partners who were partners during the period 6 April 2014 to 5 April 2015.

Where exceptionally this process produces a mixture of notional profits and losses, the special rules apply (see aside and the 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 7

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

Profit	box 3.83	£18,000
'CIS deductions'	box 3.97	£6,000

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

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

	Richard	Jonathan
Profit	£12,000	£6,000
'CIS deductions'	£4,000	£2,000

In the Statement 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 8

Julia and Caroline are in partnership. Their business activities comprise 2 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	loss	in box 3.84	£12,000
Tea rooms	profit	in box 3.83	£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 9

Ingrid and Peter are in partnership as booksellers. In addition to that income during the year to 5 April 2015 the partnership received bank interest of £10,000 from which tax of £2,000 had been taken off. 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 are 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 10

The entries on 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 3 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 us have a copy of the allocation to the partners in the same format in box 3.116, 'Additional information', on page 3 of the Partnership Tax Return.

Example 11

John, Hugh and David are in partnership. They share profits equally. In the year ended 31 December 2014 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 PF 3 is filled in and £12,000 is entered in column B on page PF 2 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	Hugh	David
Income from land and 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 (full).

Rental business

Example 12

Nigel, Tom and Alice are in partnership. In the year ended 5 April 2015 they have property income as follows:

Furnished holiday lettings	profit	£12,000
Furnished lettings	profit	£3,000
Unfurnished lettings	profit	£6,000

They share profits and losses equally.

A completed set of pages PL 1 and PL 2 for Nigel, Tom and Alice will have box entries as follows:

box 1.1[illegible]	£12,000
box 1.[illegible]	£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 profit	£4,000	£4,000	£4,000
Rental profit	£3,000	£3,000	£3,000

The entries required in the Partnership Statement (full) 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 enter the total proceeds allocated to each partner in box 30 of the Partnership Statement (full), the partner will need the details of each disposal to calculate any tax due.

Example 13

Sue, Bob and Anna are in partnership. During the year 2014-15 the partnership disposes of 3 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 PA 1 and in box 30 in the summary of partnership's profits is £38,000.

Sue, Bob and Anna had shares in these 3 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

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

If you do not tick the 'Yes' box, go to Question 9.

If you tick the 'Yes' box, make the corrections on the front of the Partnership Tax Return.

You should draw our attention to a change of address within the last 12 months by putting the words 'NEW ADDRESS' alongside the address box on page 1 of the Partnership Tax Return. Alternatively, you can provide your new address in box 3.116, 'Additional Information' on page 3 of the Partnership Tax Return.

Question 9 Please give a daytime phone number in boxes 9.1 and 9.2

Boxes 9.1 to 9.3

Please put your, or your adviser's, phone number in the appropriate box. Please include the area code. (If you give your adviser's phone number please also give the adviser's name and address in box 9.3.)

Question 10 Other information

Provisional figures

Box 10.1

Do not delay sending the Partnership Tax Return to us 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 the Partnership Tax Return, then provide provisional amounts. It is important that we receive the Partnership Tax Return by the due date.
Tick box 10.1 and say in box 3.116 'Additional information', on page 3 of the Partnership Tax Return, which figures are provisional (refer to appropriate box numbers in the Partnership Tax Return). It would also help if, in box 3.116, you:

- say why you could not give final figure(s)
- give an approximate date on which you expect to give your final figure(s)

If you use provisional figures you must have taken all reasonable steps to get the final figures, and make sure that they are sent as soon as they are available. We would not regard pressure of work either on you or your tax adviser, or the complexity of the partnership's affairs, as reasons for using a provisional figure.

You must make sure that any provisional figures that you do include are reasonable and take account of all information available to you. If you carelessly submit a provisional figure that is either inaccurate or unnecessary, each partner may have to pay a penalty.

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)
- 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 expenses has been calculated on the basis of the detailed records of a representative sample period)

You should identify any valuations that 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 box 3.116 'Additional information' on page 3 of the Partnership Tax Return and giving details of the valuation. Do not tick box 10.1.

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 mention this.

Disclosure of tax avoidance schemes

Boxes 10.2 and 10.3

Enter in box 10.2 the scheme reference number (SRN) or promoter reference number (PRN) of any scheme or arrangement the partnership has used to obtain a tax or National Insurance contributions advantage now or in the future. In most cases you will have received the SRN or PRN from the scheme promoter on form AAG6, 'Disclosure of avoidance scheme - Notification of scheme reference number', but in some cases you may have received the SRN or PRN from HM Revenue & Customs.

If you have both reference numbers put your PRN in the first row and your SRN(s) below.

Advantage here means:

- relief or increased relief from
- repayment or increased repayment of
- the avoidance or reduction of a charge to
- the avoidance of an assessment or a possible assessment to
- the deferral of any payment or the advancement of any repayment of
- the avoidance of any obligation to deduct or account for

Income Tax or National Insurance contributions.

If you are an employer and the notifiable arrangements concerned are arrangements connected with employment, you should not enter the SRN in this return. You should notify SRNs for employment products separately using form AAG4, 'Disclosure of avoidance scheme'.

If you were party to more than 3 schemes, you must report details of additional schemes on form AAG4. For AAG4 go to **www.gov.uk/forms-to-disclose-tax-avoidance-schemes**

If you fail to report the SRN or promoter reference number for a scheme or arrangement, you will be liable to a penalty.

Enter in box 10.3 the year in which the expected tax or National Insurance contributions advantage first arises to the partners. This may be the year to 5 April 2015 or a future year. It may be an earlier year if this is the first time that you have reported the SRN. Even if you have reported the SRN in a previous return, you must continue to report it until there is no longer an advantage (for example, until losses produced by the scheme have been used up).

More information on the rules for disclosure of tax avoidance schemes and arrangements is at **hmrc.gov.uk/aiu/guidance.htm**

Business Premises Renovation Allowance (BPRA)

Boxes 10.4 and 10.5

The BPRA scheme took effect from 11 April 2007. From that date, until 5 April 2017, if you carry out conversion, renovation or repairs to unused business premises which brings them back into business use, you are entitled to claim a 100% allowance against the costs incurred, subject to the following rules.

To qualify for BPRA, premises must:

- not have been used for any trading or other business activity, or as offices, for at least 1 year before the works began
- be in an Assisted Area, that is an area that is considered to be disadvantaged and eligible for regional aid. To see whether an area qualifies, go to **www.gov.uk/government/publications/state-aid-assisted-areas-introduction**
- be available for business or commercial use after the works are complete (but must not be used for farming, fisheries and aquaculture, the manufacture of substitute milk products or synthetic fibres, shipbuilding, steel or coal industries)

You cannot claim BPRA:

- if the renovation expenditure has been incurred on any residential property
- on the costs of acquiring the land, extending the business premises, or developing land next to the business premises

For more information about BPRA and the conditions you must satisfy to claim the allowance, read CA45100 in the Capital Allowances Manual, go to **www.hmrc.gov.uk/thelibrary/manuals-a-z.htm**

For BPRA balancing charges

To qualify for BPRA, premises must be held for at least 7 years from the date the premises were first used or were suitable for letting. If within that period:

- the premises are sold – either freehold or by a long lease of 21 years
- the premises cease to be used for business activities
- the premises are demolished or destroyed
- the person who incurred the renovation costs dies

the allowance must be repaid. This is done by means of an adjustment known as a balancing charge. Enter in box 10.5 the amount of BPRA which you have previously claimed on the premises.

Box 12A

Enter the total amount of BPRA for the partnership from box 10.4 to this box. Each partner should record their share of the partnership's BPRA on their own partnership statement.

Question 11 Declaration

Boxes 11.1 to 11.4

Read the Declaration carefully. Tick the boxes opposite the pages you have filled in. Enter in box 11.1 the number of additional Partnership Statements you are sending as part of the Partnership Tax Return. 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. Send back any supplementary pages that you have filled in.

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 filled in by someone on your behalf, particularly if you are likely to be abroad near the deadline for sending the return back to us. Failure to make appropriate arrangements could mean that you miss the deadline and that we charge you and your partners penalties and interest on any tax paid late.

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

For persons who are mentally incapable of understanding the Partnership Tax Return it may be filled in and signed on their behalf by the following authorised persons:

- a Receiver appointed by the Court of Protection (England and Wales)
- a Curator Bonis appointed by the Office of the Accountant of Court (Scotland)
- a Controller appointed by the Court of Care and Protection (Northern Ireland)
- an Attorney appointed under an Enduring Power, registered in the appropriate court
- any person so authorised by any of the above courts

If you have not previously provided us with evidence of your appointment, please enclose the relevant documentation with the return.

Payment of tax on partnership profits

Each partner is individually responsible for paying tax due on their share of the partnership profits. Payment has to be made to the individual partners Self Assessment account. Usually partners will pay their own liability.

Exceptionally a partnership may wish to make 1 payment on behalf of some or all of the partners. When making a partnership payment you must provide full details of how the payment is to be apportioned between the individual partners.

Paying HMRC

You can pay by 1 of the following methods.

- Direct Debit
- your bank's online or phone banking facility
- BillPay – pay online using your debit or credit card
- at a Post Office
- by post – A maximum of 99 payslips can accompany each cheque, a totalled list would also be helpful

We recommend that you make your payment electronically as this is more efficient and secure. For more information, go to **www.gov.uk/pay-self-assessment-tax-bill**

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, we will repay it to them plus interest on the amount overpaid
- the partners have not paid enough tax, we will ask for further tax – we may require them to pay interest from the original due date and a late payment penalty

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

If the Partnership Tax Return is incorrect because you have failed to take reasonable care, each partner may face a maximum penalty ranging from 30% to 100% of the difference between the correct tax due on that partner's share of partnership profits and the amount due on figures the partnership has provided. This could be up to 200% if the income or gains not being declared arose outside the UK. In some circumstances we may also prosecute the partners for deliberate errors.

If we gave you notice to make the Partnership Tax Return after 31 July 2015

If we gave you the notice requiring you to make the Partnership Tax Return after 31 July 2015 but on or before 31 October 2015 (you may have slightly longer if the partnership includes a company as a partner), we must receive it from you by the later of:

- 3 months from the date we gave you the notice for a paper Partnership Tax Return, or
- 31 January 2016 for an online Partnership Tax Return

If we gave you the notice requiring you to make the Partnership Tax Return after 31 October 2015 (you may have slightly longer if the partnership includes a company as a partner), we must receive it from you 3 months from the date we gave the notice whether you send us a paper Partnership Tax Return or an online Partnership Tax Return.

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 delivery will have taken place no more than 7 days after the date of issue shown on the front of the return.

Filing dates if the partnership includes a company as a partner

If a partnership includes a company as a partner, the filing date for the Partnership Tax Return will depend on the relevant period. This is normally the period or periods to which the partnership makes up accounts and will end on the accounting date(s) of the partnership ending in the tax year.

The relevant period will be the same as the tax year:

- where the partnership makes up accounts to 5 April
- where there are no partnership accounts ending in the tax year
- for investment partnerships that do not carry on a trade or profession

Relevant periods ending on or between 6 April 2014 and 31 January 2015

The filing date for the Partnership Tax Return will be:

- 31 October 2015 for a paper Partnership Tax Return
- 31 January 2016 for an online Partnership Tax Return

Relevant periods ending on or between 1 February 2015 and 5 April 2015

The filing date for the Partnership Tax Return will be:

- 9 months from the end of the relevant period for a paper Partnership Tax Return
- the first anniversary of the end of the relevant period for an online Partnership Tax Return

You will always have at least 3 months from the date we give the notice to file the Partnership Tax Return.

If you have a complaint

Problems can usually be settled most quickly and easily by the office that you have been dealing with. We will always give you a contact name or number in any correspondence we send to you.

If you cannot settle a matter with the office you have been dealing with, you can write to:

- the director with overall responsibility for that office or unit
- if the problem concerns the service you have been given by an accounts office, the director of that office

The director will look into your case and quickly let you know the outcome. For information about our complaints procedures, go to **www.hmrc.gov.uk/complaints-appeals**

If you are still not happy

If the director has not been able to settle your complaint to your satisfaction, you can ask the Adjudicator to look into it and recommend appropriate action. The Adjudicator is an impartial referee whose recommendations are independent.

The Adjudicator's address is:

The Adjudicator's Office
PO Box 10280
NOTTINGHAM
NG2 9PF

Phone: **0300 057 1111**
Fax: **0300 057 1212**
adjudicatorsoffice.gov.uk

The Adjudicator's leaflet AO1 gives information about complaining to the Adjudicator.

Finally, you can ask your MP to refer your case to the independent Parliamentary and Health Service Ombudsman. The Ombudsman will accept referral from any MP, but you should approach your own MP first. More information is available from:

The Parliamentary and Health Service Ombudsman
Millbank Tower
Millbank
LONDON
SW1P 4QP
Phone: **0345 015 4033**
Fax: **0300 061 4000**
ombudsman.org.uk

Your rights and obligations

Your Charter explains what you can expect from us and what we expect from you.
For more information go to **www.gov.uk/government/publications/your-charter**

How we use your information

HM Revenue & Customs is a Data Controller under the Data Protection Act 1998. We hold information for the purposes specified in our notification to the Information Commissioner, including the assessment and collection of tax and duties, the payment of benefits and the prevention and detection of crime, 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 the 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 or agencies and overseas tax and customs authorities. We will not give information to anyone outside HM Revenue & Customs unless the law permits us to do so. For more information go to **www.gov.uk/government/publications/data-protection-information-charter**

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