

Partnerships involving companies: effect of arrangements for transferring relief. CTA76 s122(1) to (5)  
426.—(1) For the purposes of this section, the amount of a company's share in the profits or loss of any accounting period of a partnership shall be such amount as is determined in accordance with section 1009.

(2) Subsection (3) shall apply in relation to a company (in this section referred to as “the partner company”) which is a member of a partnership carrying on a trade if arrangements are in existence (whether as part of the terms of the partnership or otherwise) whereby—

(a) in respect of the whole or any part of the value of, or of any portion of, the partner company's share in the profits or loss of any accounting period of the partnership, another member of the partnership or any person connected with another member of the partnership receives any payment or acquires or enjoys, directly or indirectly, any other benefit in money's worth, or

(b) in respect of the whole or any part of the cost of, or any portion of, the partner company's share in the loss of any accounting period of the partnership, the partner company, or any person connected with that company, receives any payment or acquires or enjoys, directly or indirectly, any other benefit in money's worth, other than a payment in respect of group relief to the partner company by a company which is a member of the same group as the partner company for the purposes of group relief.

(3) (a) In this subsection, “relevant accounting period of the partnership” means any accounting period of the partnership in which any arrangements specified in subsection (2) are in existence or to which any such arrangements apply.

(b) In any case where this subsection applies in relation to the partner company—

(i) the company's share in the loss of the relevant accounting period of the partnership and its share in any charges on income ) paid by the partnership in that accounting period shall not be available for set-off for the purposes of corporation tax except against its profits of the several trade,

(ii) except in accordance with subparagraph (i), no trading losses shall be available for set-off for the purposes of corporation tax against the profits of the company's several trade for the relevant accounting period of the partnership, and

(iii) except in accordance with subparagraphs (i) and (ii), no amount which apart from this subsection would be available for relief against profits shall be available for set-off for the purposes of corporation tax against so much of the company's total profits as consists of profits of its several trade for the relevant accounting period of the partnership.

(4) Where a company is a member of a partnership and tax in respect of any profits of the partnership is chargeable under Case IV or V of Schedule D, this section shall apply in relation to the company's share in the profits or loss of the partnership as if—

(a) the profits or loss to which the company's share is attributable were the profits of, or the loss

incurred in, a several trade carried on by the company, and

(b) any allowance to be made by discharge or repayment of tax or in charging income under Case V of Schedule D were an allowance made in taxing that trade.