HMRC - VATDSAG04200 - The Partnership Agreement

A formal, written agreement is not a requirement for the formation of a partnership: many partnerships are formed on oral or ‘gentlemen’s’ agreements. The existence of a formal, written agreement is not conclusive evidence, in itself, that the relationship between two or more parties constitutes a partnership.

If the terms of any agreement are such that it is technically possible for one party to the agreement to make a profit and another to make a loss (whether in the long or the short term), the relationship between those parties is not one of partnership. But the division of profits does not have to be equal. It is possible for one partner to have a greater financial interest in the partnership than another and to receive a larger proportion of the profits.

VATDSAG04400 provides a checklist which should help you to establish the nature of the relationship between people in business and to decide whether they are in partnership.

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