

Partnerships: foreign aspects

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Please phone:

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

or go to

www.hmrc.gov.uk

This helpsheet gives information to help you fill in the Partnership Tax Return if:

- the partnership operates partly overseas, or
- the partnership includes one or more partners who are not resident in the UK, or
- a partner becomes or ceases to be a UK resident.

How non-residence in, or domicile outside, the UK can affect the partnership and its members

For guidance on the meaning of the terms 'residence', 'ordinary residence', 'domicile', 'remittance basis' and 'split-year treatment', please read the notes on the *Residence, remittance basis etc.* pages of the personal tax return.

UK resident partners are liable to UK tax on their share of the worldwide profits of the partnership. However, where a partnership is managed and controlled abroad, UK resident partners may be entitled to be taxed on the remittance basis for their share of the profits that arise overseas. This will be so if they are not ordinarily resident in the UK and/or not domiciled in the UK and they claim the remittance basis of taxation. Partners may make their claim to the remittance basis in the *Residence, remittance basis etc.* pages of their tax return.

Non-resident partners are only liable to tax on:

- profits that arise in the UK, although a corporate non-resident partner will be liable on overseas profits which relate to a UK permanent establishment, and
- their share of partnership investment income, to the extent that it arises in the UK, although a corporate non-resident partner should return its share of overseas investment income which relates to a UK permanent establishment.

It is up to each partner to self-determine their own residence status. Partners should refer to the notes on the *Residence, remittance basis etc.* pages of the tax return.

What to include in the Partnership Tax Return

This will depend on whether the partnership has UK resident partners, non-resident partners or a mixture of both. It will also depend on where the partnership is managed and controlled.

Where the partnership consists solely of UK resident partners

Where all the partners are resident in the UK, the Partnership Tax Return should return the worldwide profits of the partnership, computed as if the partnership itself was a person resident in the UK. Where any part of the profits has been taxed overseas, it will be helpful if the amount taxed in each overseas jurisdiction is shown separately.

Where the partnership consists solely of non-resident partners

Where all the partners are non-resident, the Partnership Tax Return should show only the profits arising from UK operations. A corporate partner should separately enter on its return any profit arising overseas which relates to the UK permanent establishment.

Where the partnership consists of a mix of UK resident and non-resident partners

If the partnership is managed and controlled in the UK, complete two Partnership Statements:

- one to enter the worldwide profit (the UK resident partners will put their share of the worldwide profit in their own tax returns), and
- a second to enter only the UK profit (the non-resident partners will put their share of the UK profit in their own tax returns).

If the partnership is managed and controlled outside the UK, include only the partnership's UK profit in the Partnership Tax Return.

- The non-resident partners will put their share of the UK profit on their own tax returns.
- The UK resident partners will also put their share of the UK profit on their own tax returns. However, they will also be liable to tax on any overseas profits they share in. Where a partner is taxable on the normal basis, that is on the profits as they arise, they should include their share of the overseas profit on their own tax return. Where a partner is taxable on the remittance basis, they should show the appropriate remittances in the *Residence, remittance basis etc.* pages of their tax return.

Strictly, a partnership with at least one UK resident partner liable to tax should return its worldwide profits. Whilst we allow the Partnership Tax Return to include only UK profits in certain circumstances, as described above, we reserve the right to call for worldwide accounts and computations.

Partnership as agent for non-resident partners

Although the profits of each partner are taxable separately, the partnership may be taxed as agent for a non-resident partner. Where the UK profits are allocated to a large number of non-resident partners, it may be possible to agree an alternative arrangement with HM Revenue & Customs whereby a single tax return is made for all the non-resident partners.

For more details, please contact:

Local Compliance

Large and Complex Businesses S0483

Large Partnership Specialist Unit (18S)

PO Box 3900

GLASGOW

G70 6AA

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Where a partner becomes or ceases to be UK resident

Where a partner becomes or ceases to be UK resident and the business is carried on wholly or partly abroad, special rules apply. To ensure that the right amount of profit is taxed, the partner is treated as having ceased and immediately recommenced as a partner. It follows that the partnership profit must be apportioned to and from the date of change of residence. For the period of non-residence, the partner's share of the UK profit must be identified.

If this applies, provide details of the appropriate computations and explanations showing how the apportionments have been made in the 'Additional information' box on page 3 of the Partnership Tax Return.

For the partner concerned, the amount of profit to be entered on their own tax return will be their share of the total profit for the period of UK residence (unless the remittance basis applies) plus their share of the UK profit for the period of non-residence.

These notes are for guidance only and reflect the position at the time of writing. They do not affect any rights of appeal. Any subsequent amendments to these notes can be found at **www.hmrc.gov.uk**