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HELPSHEETS

Helpsheets giving more detailed information about particular tax rules for partnerships are available from www.hmrc.gov.uk/sa or from the SA Orderline on 0845 9000 404.

- Helpsheet 220 More than one business
- Helpsheet 222 How to calculate your taxable profits
- Helpsheet 224 Farmers and market gardeners
- Helpsheet 227 Losses

Filling in the Trust and Estate Partnership pages

You must fill in the *Trust and Estate Partnership* pages if, at any time during the 2011–12 tax year, the trust or estate was entitled to a share of profits, losses or income from a business that it carried on in partnership. But read the note aside if it carried on the same business in partnership and as a sole trader during the year.

The Partnership Tax Return

You as a trustee or personal representative are jointly responsible, with your partners, for making a Partnership Tax Return for 2011–12. You should keep the records used to complete your return until at least 31 January 2018 in case we ask to see them. We will normally have until 31 January 2014 to decide whether an enquiry is to be made to check the accuracy of the figures in the Partnership Tax Return.

The Partnership Statement

The Partnership Tax Return includes a summary of the share of profits, losses or income allocated to the trust or estate during any period for which it was a member of the partnership. This summary is called the 'Partnership Statement' and you should use the information in that statement to complete the *Trust and Estate Partnership* pages.

If the partnership makes up its accounts to more than one accounting date in 2011–12, then it may have been required to complete a separate Partnership Statement for each period.

There are two types of Statement:

- a 'full', unabridged, version covering all the possible types of partnership income, and
- a 'short', abridged, version for partnerships that only have trading income and interest received, with tax deducted, from banks, building societies or other deposit takers.

Most partners will receive the short Partnership Statement. There are examples of both the short and full statements on pages TPN4 and TPN5. Ignore the printed instructions in green to copy the partner's share of income, losses, tax credit etc. to specific boxes; these are references to boxes in the personal tax return. Instead follow the instructions in blue alongside – they refer to boxes on the *Trust and Estate Partnership* pages and pages 4 and 5 of the Trust and Estate Tax Return.

These notes explain how to complete the *Trust and Estate Partnership* pages. The notes use technical terms such as 'trade', 'basis period' and so on. They explain these terms as fully as possible, but they are not a comprehensive guide for all cases. There is also a glossary of terms on page TPN3. If you need more help ask us, or your tax adviser.

 If the trust or estate was a member of more than one partnership or the partnership carried on more than one business

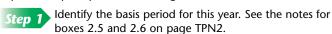
Your partnership will complete separate Partnership Statements:

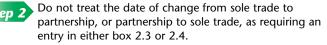
- for each partnership of which the trust or estate was a member
- for each business if the partnership carried on more than one business.

You must complete *Trust and Estate Partnership* pages for each business. You can either photocopy the blank pages you already have, download them from our website at **www.hmrc.gov.uk/sa** or ask the SA Orderline. If you use photocopies please fill in the trust or estate name and tax reference on each copy.

Changing between self-employment and partnership

Normally you will need to complete the *Trust and Estate Partnership* pages if the trust or estate was a partner during the year ended 5 April 2012 and the *Trust and Estate Trade* pages if it was a sole trade during that period. Where it carried on the same business during the year, but did so as a sole trade for part of the year and in partnership for part, follow the guidance below.





Check whether the accounts information for any accounting period relating to the basis period has been returned in the Partnership Tax Return.



en 4 If it has, you should complete the Trust and Estate Partnership pages and work out the taxable profit or allowable loss for this year. This will be based on:

- the share of the partnership profit or loss shown in the Partnership Statement, together with
- the profit or loss of any accounting period affecting the basis period during which the business was not carried on in partnership for which you have entered details in boxes 1.14 to 1.73 in the Trust and Estate Trade pages.



cen 5 Otherwise, enter the accounts information in boxes 1.14 to 1.73 and 1.99 to 1.115 in the Trust and Estate Trade pages and complete boxes 1.74 to 1.98 in those pages to calculate the taxable profit or allowable loss for the year. Do not complete the Trust and Estate Partnership pages.

If the partnership disposed of any chargeable assets

The Partnership Tax Return shows details of any chargeable assets disposed of. Do not enter details of the capital gains arising on the trust's or estate's share of the proceeds from the disposal of partnership assets in these pages. Enter details in the Trust and Estate Capital Gains pages instead, unless:

- the total value of all the assets disposed of in 2011-12 (through the partnership or otherwise) is no more than £42,400, and
- the total chargeable gains do not exceed the annual exempt amount (£10,600),

in which case no tax will be due.

See the Trust and Estate Tax Return guide for more details.

Partnership details

boxes 2.1 and 2.2 Make sure you complete these boxes for each set of Trust and Estate Partnership pages the trust or estate has to complete. Put the partnership tax reference in box 2.1. If the trust or estate is a partner in a foreign partnership, you will not have a partnership reference so in this circumstance enter the trust's or estate's own Unique Taxpayer Reference (UTR) number in box 2.1. Describe the partnership trade or profession, for example, 'farming' in box 2.2.

boxes 2.3 and 2.4

If the trust or estate became a partner after 5 April 2011, you should enter that date in box 2.3. If it stopped being a partner before 6 April 2012, you should enter that date in box 2.4.

> The share of the partnership's trading or professional income

boxes 2.5 and 2.6 The trust or estate pays tax for 2011–12 on the profits for the 'basis period'. For this purpose the normal basis period rules for trading and professional income are applied to the share of the partnership's profits (and losses) as if that income had arisen from a business that the trust or estate carried on alone. These notes describe this as the 'notional' business. After the first one or two years as a partner the basis period will be the same as the partnership's accounting period, unless the partnership changes its accounting date. For example, if the partnership's accounting date is 31 December and the trust or estate became a partner on 1 January 2010, the basis period for 2011–12 is the 12 months from 1 January 2011 to 31 December 2011.

However, the 'notional' business will be regarded as having commenced on the date the trust or estate became a partner, or if it previously carried on the partnership business on its own, the

date on which it first started that business. It will be regarded as having ceased on the date it ceased to be a partner, or, if it subsequently carried on the business on its own, the date it ceased to carry on that business.

You can find full details of the rules used to determine the basis period in Helpsheet 222 How to calculate your taxable profits.

Enter the dates on which the basis period starts and ends in boxes 2.5 and 2.6 respectively.

boxes 2.7 and 2.8

The share of the partnership's profit or loss is the amount shown in the Partnership Statement. You should not make any adjustment to that figure other than those described below.

If the basis period is the same as the partnership's accounting period, enter the share of the partnership's profit or loss in box 2.7 and ignore box 2.8.

In any other case, you will need to calculate the profit or loss of the basis period by adding together (or subtracting, as appropriate) the share of the profits or losses of the partnership's accounting periods. Enter the share of the profits or loss for the partnership's accounting period that ended in 2011–12 in box 2.7. If more than one accounting period ended in 2011–12, combine the two figures. If no accounting period ended in 2011-12, enter the share of the partnership's profits or loss for the period 6 April 2011 to 5 April 2012.

To arrive at the profit or loss for the 2011–12 basis period, enter in box 2.8 the amount to be added to, or subtracted from, the figure in box 2.7. If the adjustment results in the need to deduct a figure at box 2.8, enter the figure in brackets and subtract it in arriving at the total taxable profit. Helpsheet 222 How to calculate your taxable profits explains how to calculate the adjustments.

If the trust or estate carried on the partnership business as a sole trade during any part of the basis period, the adjustment in box 2.8 may include amounts for:

- the partnership's accounting period(s)
- accounting period(s) when it carried on the business alone, for which you have entered details in boxes 1.14 to 1.73 and boxes 1.99 to 1.115 in the Trust and Estate Trade pages, or
- a combination of the two.

You may not be able to complete box 2.8 because it is impossible for the partnership to prepare the accounts needed to enable you to calculate the adjustment before the latest date for sending the tax return. If so, you should provide a provisional amount, tick box 21.5 in the Trust and Estate Tax Return and explain in the 'Additional information' box, box 21.11 on page 12, which boxes are provisional.

It would also help if you say in box 21.11:

- why you could not give final figures, and
- an approximate date on which you expect to give your final figures.

If, because of its residence status, the estate is taxable on the remittance basis on profits arising overseas, the amount to be entered in box 2.7 is the share of the partnership profit drawn up in accordance with the rules for non-residents (the UK profit only).

boxes 2.9 to 2.11

Overlap profits and relief

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

- in the first three years after the 'notional' business starts up - see the notes on boxes 2.5 and 2.6, or
- in a year in which there is a change in the partnership's accounting date.

You may be able to claim overlap relief for the profit (the overlap profit) which arises in any overlap period.

Overlap relief may be due for 2011-12 if:

- the trust or estate ceased to be a partner in 2011–12, or
- the partnership's business ceased in 2011–12, or
- the partnership changed its accounting date in 2011–12 and the basis period, as shown in boxes 2.5 and 2.6, exceeds 12 months.

Enter in box 2.9 any unused overlap profit (including any unused transitional overlap profit) brought forward from 2010-11; in box 2.10 any overlap profit used in 2011-12; and in box 2.11 any unused overlap profit carried forward to 2012-13.

Go to www.hmrc.gov.uk/sa or ask the SA Orderline for Helpsheet 222 How to calculate your taxable profits which tells you how to work out overlap profits and how to claim overlap relief.

box 2.12 If the partnership carried on a farming business you may be able to claim to average the share of two years' profits. Go to www.hmrc.gov.uk/sa or ask the SA Orderline for Helpsheet 224 Farmers and market gardeners, which explains this.

Also use box 2.12 to claim credit for foreign tax deductions, if you are not claiming tax credit relief in the Trust and Estate Foreign pages for the foreign tax paid; please also enter the amount in the 'Additional information' box, box 2.25, on page TP2.

boxes 2.13 and 2.14 If box 2.7 and any adjustments in boxes 2.8, 2.10 and 2.12 result in a profit, enter it in box 2.13 and '0' in box 2.14. If the result is a loss, enter this in box 2.14 and '0' in box 2.13.

If the partnership made a loss, you may be able to claim tax relief for the trust's or estate's share of that loss. If you want information about losses, go to www.hmrc.gov.uk/sa or ask the SA Orderline for Helpsheet 227 Losses. If the trust or estate has now left the partnership or the partnership's business has now ceased, read Helpsheet 222 How to calculate your taxable profits.

Time limits: some claims must be made by 31 January 2014. Ensure that any claims you wish to make are made within the time limit prescribed. Late claims cannot usually be accepted.

box 2.15 Helpsheet 227 Losses provides information on how to claim tax relief on losses. To offset the 2011-12 loss against other income of 2011-12, enter the amount you are claiming to offset in box 2.15.

box 2.16 If you want to claim for relief for the 2011-12 loss to be calculated by reference to income of an earlier year, or years, enter the amount of the loss in box 2.16. If you have already made a claim for the relief to be calculated in this way, you should still include the loss in box 2.16, and provide details in the 'Additional information' box, box 21.11, on page 12 of the Trust and Estate Tax Return.

Enter in box 2.17 any losses sustained in 2011–12, but not claimed in any other way, that you claim to carry forward against later profits.

boxes 2.18 and 2.19 Enter in box 2.18 any losses sustained in the same business in earlier years that you claimed to carry forward against later profits but have not already used.

You can use that loss to offset any profit in box 2.13. Enter in box 2.19 the amount you are deducting, up to the figure in box 2.13.

box 2.21 Enter any amounts that have not been included in the partnership accounts (and therefore not included in the Partnership Tax Return) but which are needed to calculate the taxable profits.

Investment income

You must complete boxes 2.23 and 2.24, as appropriate, if the trust or estate carried on a business in partnership in 2011-12 and the partnership received any investment income, that is, income other than trading or professional income.

For taxed income, all partners must return the income of the year to 5 April 2012.

For untaxed income, the period can vary.

You should usually return income for the same basis period as applies to the trade or professional income. You may need to make adjustments to convert the trust's or estate's shares of income for the partnership's accounting periods into the taxable profit for the basis period. These adjustments are equivalent to the adjustments made in box 2.8 for trading or professional income. Full details of the rules are given in Helpsheet 222 How to calculate your taxable profits. Treat the 'untaxed income' as deriving from a second 'notional' business carried on alone. Treat that business as starting on the date the trust or estate became a partner and ceasing on the date it ceased to be a partner.

If the partnership did not carry on a trade or profession in 2011–12, that is, it carried on a pure investment business, the basis period is the tax year and you must return the income of the year to 5 April 2012.

Share of partnership investment income

box 2.23 If the partnership had any investment income please tick box 2.23 and enter the trust's or estate's share of that income in boxes 9.1 to 9.40, as appropriate, on pages 4 and 5 of the Trust and Estate Tax Return.

Share of losses on partnership investments

box 2.24 Enter in box 2.24 any share of losses on partnership investments.

Glossary

Accounting date The date to which the partnership's accounts are made up.

Basis period The period on which the profits for the tax year are based.

Investment business Any business carried on by the partnership that does not amount to carrying on a trade or profession.

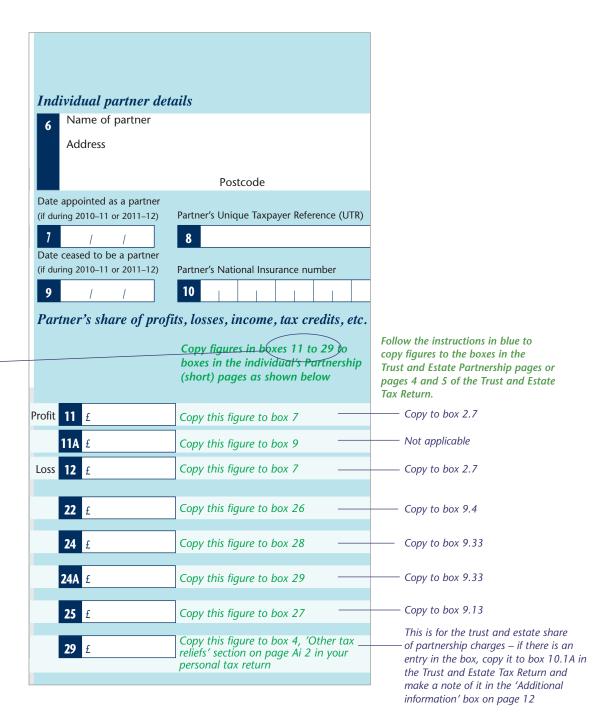
Overlap profits and overlap relief Overlap profits arise when basis periods overlap so that the same profits are taxable in two different tax years. Overlap relief deducts the overlap profits in a later tax year so that over the life of the business the trust or estate does not pay tax on more profits than it earns.

Trade Any commercial operation supplying goods or services to a customer for profits is likely to be regarded as a trade. If you are in doubt whether the trust or estate carried on a trade, profession or vocation during 2011-12, ask us or your tax adviser.

These notes are for quidance 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



Instructions for copying figures to the Trust and Estate Partnership pages



These boxes come from the Partnership Tax Return

