

i These notes will help you to complete the *Partnership savings, investments and other income* pages of your Partnership Tax Return.

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Filling in the *Partnership Savings* pages

Gather together the information you might need:

- dividend vouchers
- printouts of details of dividend or interest distributions provided electronically by UK authorised unit trusts, open-ended investment companies or investment trusts, as an alternative to a paper tax voucher
- interest statements or tax deduction certificates
- trust vouchers, if the partnership is entitled to income of a trust the trustee should provide a voucher identifying the various sources of income.

Use the following notes to help you fill in the boxes. They ask for totals.

Check the following lists to see whether the partnership's income from savings and investments should be included in the Partnership Tax Return. Company partners should see the note *Loan relationships and so on*, on page PTRG 5 of the Partnership Tax Return Guide.

What to exclude from the Partnership Tax Return

Interest or dividends or bonuses from tax exempt investments (for example, National Savings & Investments Savings Certificates), unless something has happened to make the income taxable.

Premium Bond, National Lottery and gambling prize winnings.

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. However, receipts which are treated as trading receipts, because they help meet the cost to the partnership of providing sick pay for employees, should be included on these pages.

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. There are special rules for dividing a gain between partners. 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 (but see the notes on page PSN 8).

Need help?

Go to our website at
www.hmrc.gov.uk

Phone

**The number
printed on your
tax return**

SA Helpline

0845 9000 444

SA Orderline

0845 9000 404

What to include in the Partnership Tax Return

Interest etc. received from:

- banks and building societies (including Internet accounts) – current and deposit accounts (including those paying alternative finance receipts)
- UK authorised unit trusts or open-ended investment companies
- investment trusts
- National Savings & Investments products
 - where tax is taken off before you receive it (such as fixed rate saving bonds, Guaranteed Income or Growth Bonds) and
 - where no tax is deducted (such as Easy Access Savings Accounts, Capital Bonds and Investment Accounts) but exclude accumulated interest on Savings Certificates (including index-linked).

Other savings income, including annuities, deeply discounted securities.

Dividends from UK companies, UK authorised unit trusts, open-ended investment companies and investment trusts, other distributions and UK stock dividends.

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

If the partnership has received a bonus sum following the merger of two or more building societies, the bonus sum is subject to Income Tax and should be entered in boxes 7.7 to 7.9.

If, however, the partnership has received a bonus sum following the conversion of a building society to a company or following the takeover of a building society by a company, then details of that sum should be given in the *Partnership disposal of chargeable assets* pages.

If the partnership's only savings income for the period was interest or alternative finance receipts paid with tax deducted by banks or building societies, complete boxes 7.7A to 7.9A on page 8 of the Partnership Tax Return using the guidance in the Partnership Tax Return Guide. Otherwise, you will need to complete the full *Partnership Savings* pages. These notes will help.

Return period

Taxed income (and the corresponding tax deducted, tax credits or notional tax)

All taxed income should be returned for the period 6 April 2011 to 5 April 2012.

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 2011 to 5 April 2012.

Untaxed income

All untaxed income should be returned for the return period appropriate for your partnership. This period should be determined using the rules below.

Boxes 7.1, 7.2, 7.42 and 7.43

For all partnerships (except investment partnerships – see below) the untaxed income sections of the *Partnership Savings* pages should be completed to show details of the partnership's untaxed income for its accounting period(s) ended in the tax year 2011–12. In these circumstances, the date on which the accounting period starts should be shown in boxes 7.1 and 7.42 and should be the same as the date you have entered in box 3.4 on page 2 of the Partnership Tax Return. Also the date on which the accounting period ends should be shown in boxes 7.2 and 7.43 and this should be the same as the date that you have entered in box 3.5 on page 2 of your Partnership Tax Return.

Where there is more than one such accounting period you may have to complete more than one set of *Partnership Savings* pages. (Read the notes on page PTRG 10 of the Partnership Tax Return Guide.)

Where there is no such accounting period, you need only complete 'taxed income' sections of the *Partnership Savings* pages. (Read the notes on page PTRG 10 of the Partnership Tax Return Guide.)

Investment partnerships

Where, exceptionally, a partnership does not carry on a trade or profession, the untaxed income sections of the *Partnership Savings* pages should, in all cases, be completed for the profits in the period 6 April 2011 to 5 April 2012.

Enter '06/04/11' in boxes 7.1 and 7.42 and '05/04/12' in boxes 7.2 and 7.43.

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 2011 to 5 April 2012.

Interest and alternative finance receipts

The boxes ask for totals. If the partnership has more than one source of interest and alternative finance receipts, add together, for example, interest paid (with tax deducted) by the partnership's bank or building society and put total figures in boxes 7.7 to 7.9. Keep details of the separate accounts in case we ask for these later.

Interest and alternative finance receipts with no UK tax deducted

Box 7.3 *Interest and alternative finance receipts from UK banks and building societies*

The partnership's bank or building society statement will show you the interest or alternative finance receipts the partnership received without tax being taken off (gross). Add up all the amounts received during the partnership's return period. Enter the total in box 7.3.

National Savings & Investments interest should not be included here but should be entered in box 7.4.

Box 7.4 *National Savings & Investments*

Enter in box 7.4 the interest received from the following:

- Direct Saver
- Easy Access Savings Account (EASA)
- Investment Account
- Pensioners' Guaranteed Income Bonds
- Income Bonds
- Capital Bonds (enter the interest added in the return period to the Capital Bonds as shown in the partnership's statement).

Box 7.5 *Other income from UK savings and investments*

If no tax has been taken off, include in box 7.5 any other interest the partnership received, for example:

- on government stocks (gilts), including those bought through the National Savings & Investments Stock Register
- on other loan stocks
- on loans to an individual or organisation
- from credit unions and friendly societies.

If tax has been taken off, fill in boxes 7.16 to 7.18 instead.

Deeply discounted securities

'Deeply discounted securities' have replaced those types of securities previously termed deep discount bonds and deep gain securities. Broadly, these are securities where the investment's return is mainly made up of a discount or premium payable on redemption of the bond, rather than by interest payable over the life of the bond. The discount or premium is the difference between the price at which the bond was issued and the amount payable on redemption.

The discount or premium must be capable of being more than:

- 15% of the redemption price, or, if smaller,
- 0.5% of the redemption price for each year of the bond's life (for example, in the case of a 10 year bond, any discount of 5% or more would mean that it is a relevant discounted bond).

A security with an uncertain yield (for example, linked to the Retail Price Index) will normally be a deeply discounted security. A security fully linked to the value of assets which would be chargeable assets under the Capital Gains Tax rules (for example, a security whose yield is fully linked to the FTSE index, and gives no guaranteed minimum return on your investment), will not normally be a deeply discounted security.

If you have a deeply discounted security, you will generally be taxable only when you dispose of the security or redeem it. At that time you will be taxable on the difference between the amount you paid for the security and the amount you received when you redeemed or sold it. Income Tax is not deducted from the payment, so the gross amount of income should be entered in box 7.5.

Losses on deeply discounted securities

You cannot claim any relief for a loss on redemption or disposal of a deeply discounted security unless the firm held the security since 26 March 2003 and it was then, or had been, listed on a recognised stock exchange. If that applies, enter the qualifying loss in box 7.45.

Transfer of the right to income

If the partnership sold or transferred the right to receive dividends before 22 April 2009 but did not dispose of the underlying securities, the income from those securities is still treated as partnership income. Enter the amount of income paid out (even if the partnership has not received it) in boxes 7.21 to 7.26, as appropriate.

If the partnership sells or transfers the right to income from 22 April 2009 onwards without disposing of the underlying asset from which the income arises, the consideration that is receivable in return for the transfer is treated as partnership income. Include it in the box in which the income would have been entered had it not been transferred. If the market value of the right is substantially greater than the consideration that is receivable, then the market value of the right (rather than the consideration) is treated as

partnership income. If this is the case, include the market value of the right in the box in which the income would have been entered had it not been transferred.

Transfer of information to the Partnership Statement

The partners need to distinguish between certain classes of savings, investments and other income (and, where appropriate, the corresponding tax) when calculating the tax due on their shares of such income. The same distinctions are made in the Partnership Tax Return.

Transfer the amount of the untaxed income in box 7.6 to box 13 in the *Partnership Statement*. If you want to allocate this figure between the partners at the same time, read pages PTRG 22 to PTRG 25 of the Partnership Tax Return Guide before you do so. Otherwise, fill in the rest of the *Partnership Savings* pages.

Interest and alternative finance receipts with UK tax deducted

If interest or alternative finance receipts are the only income from savings or investments, you can complete boxes 7.7A, 7.8A and 7.9A on page 8 of the Partnership Tax Return. Otherwise you will need to complete these pages.

Boxes 7.7 to 7.9 Interest and alternative finance receipts from UK banks and building societies

Interest or alternative finance receipts are generally paid to you after basic rate tax (20%) has been deducted. The partnership's bank or building society statement or passbook will usually show you the amount after tax is deducted (sometimes described as 'net interest' or 'net alternative finance receipts'), the amount of tax deducted and the amount before tax was deducted ('gross interest' or 'gross alternative finance receipts'). (If you do not have all three figures the Working Sheet on page PSN 5 shows you how to work them out.) Add up the amounts for the return period for all the partnership's accounts. Enter the totals in boxes 7.7, 7.8 and 7.9. If you do not have the information, you should ask the bank or building society to provide the partnership with a tax deduction certificate.

Boxes 7.10 to 7.12 Interest distributions from UK authorised unit trusts and UK open-ended investment companies and investment trusts

The information you need to complete these boxes will be shown on the partnership's tax voucher. The voucher or the details provided electronically will show:

- the total interest distribution before tax is deducted (gross interest)
- the tax deducted, and
- the amount of the interest distribution paid after tax has been deducted (net interest).

If the units or shares are accumulation units or shares (where the interest distribution is automatically reinvested in the unit trust or open-ended investment company) you must still enter the total interest distribution before tax is deducted, the tax deducted and the amount of the interest distribution after tax has been deducted.

If the partnership does not have a tax voucher, or details provided electronically, ask the unit trust, open-ended investment company or investment trust manager for a tax voucher.

If the partnership has received an interest distribution without tax being deducted, you should include the total interest distribution received in box 7.5.

Do not enter here any amount shown on the tax voucher as 'equalisation'. This amount, if shown, is a repayment of capital paid and is not subject to tax. In calculating their capital gains, each partner should deduct their share of the amount of the equalisation from the cost of the units or shares purchased during the year.

Do not include dividend distributions from UK authorised unit trusts or open-ended investment companies in boxes 7.10 to 7.12. They belong in boxes 7.24 to 7.26.

Annual payments received from UK unauthorised unit trusts should be entered in boxes 7.46 to 7.48.

Boxes 7.13 to 7.15 National Savings & Investments

This interest (such as Guaranteed Income Bonds and Guaranteed Growth Bonds) is received after tax has been deducted. Enter in boxes 7.13 to 7.15:

- the interest received after tax was deducted
- the tax deducted
- the interest received before tax was deducted.

Step 1 In Column A enter the name of the first bank or building society account.

Step 2 Look at the interest or alternative finance receipts on the statement or passbook. If there are three figures copy the one described as 'before tax' or 'gross' to Column D, the 'tax deducted' or 'tax taken off' to Column C and the 'net interest' or 'net alternative finance receipts' to Column B.

It may be that the statement only shows 'gross interest' or 'gross alternative finance receipts' and 'tax deducted' or 'tax taken off', or even just 'net interest' or 'net alternative finance receipts'. Copy what is on the statement to the appropriate columns - Step 4 tells you how to fill in the missing figures.

Step 3 Repeat Steps 1 and 2 for each of the accounts.

Step 4 If you are missing figures from any of the columns, work them out as follows:

- if you have entries in Columns C and D, Column B = Column D minus Column C
- if you have only got an entry in Column B, Column C = Column B x 25% and Column D = Column B + Column C.

Step 5 Total each column.

Step 6 Round down to the nearest pound Columns B and D. Round up to the nearest pound Column C. Enter the results in boxes 7.7 to 7.9. This may mean that box 7.9 does not exactly equal box 7.7 plus box 7.8 but do not worry. Finally, copy the figures to boxes 7.7 to 7.9 on page PS1.

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Boxes 7.16 to 7.18 *Other taxed income from UK savings and investments*

Enter the totals of the following items in boxes 7.16 to 7.18. Keep details of income included in the totals in case we ask for more information later.

Interest not included in boxes 7.7 to 7.15

Include in boxes 7.16 to 7.18 interest the partnership received with tax deducted but which did not go in boxes 7.7 to 7.15, for example:

- on government stocks (gilts), including those bought through the National Savings & Investments Stock Register
- on other loan stocks
- on loans to an individual or organisation
- from credit unions and friendly societies.

If no tax has been deducted, enter the interest received in box 7.5.

Transfer of information to the Partnership Statement (full)

Transfer the amount of tax deducted on the taxed income in box 7.19 to box 25 in the *Partnership Statement*. If you want to allocate this figure between the partners at the same time, read pages PTRG 22 to PTRG 25 of the Partnership Tax Return Guide before you do so. Otherwise, finish filling in the rest of the *Partnership Savings* pages.

Dividends

Boxes 7.21 to 7.23 *Dividends and other qualifying distributions from UK companies*

The partnership's dividend voucher shows the amount of the dividend and the tax credit. Add these together to get 'dividend/distribution plus credit'.

Do not include stock dividends here. Include these in boxes 7.28 to 7.30.

Other qualifying distributions

A company makes a distribution when it passes value to a shareholder, for example:

- by selling an asset to a shareholder at less than market value, or
- by paying interest at more than a commercial rate on a loan.

Non-qualifying distributions are defined in the next column and should be entered in boxes 7.31 to 7.33. Other distributions are 'qualifying'.

Enter the amount in boxes 7.21 to 7.23 and give details in the 'Additional information' box, box 3.116 on page 3 of the Partnership Tax Return, explaining the circumstances in which the distribution arose.

Boxes 7.24 to 7.26 *Dividend distributions from UK authorised unit trusts and open-ended investment companies*

The dividend voucher, or details provided electronically, shows the amount of the dividend and the tax credit. Add these together to get 'dividend/distribution plus credit'.

If the partnership has accumulation units or shares, the dividend is automatically reinvested in the unit trust or open-ended investment company. You must still enter the amount of the dividend distribution, tax credit and dividend/distribution plus credit.

If you do not have a dividend voucher, or details provided electronically, ask the partnership's unit trust, open-ended investment company or investment trust manager for a tax voucher.

Do not enter here any amount shown on the tax voucher as 'equalisation'. This amount, if shown, is a repayment of capital paid and is not subject to tax. In calculating their capital gains, each partner should deduct their share of the amount of the equalisation from the cost of the units or shares purchased during the year.

Transfer of information to the Partnership Statement (full)

Transfer the amount of tax credits in box 7.27 to box 26 in the *Partnership Statement*. If you want to allocate this figure between the partners at the same time, read pages PTRG 22 to PTRG 25 of the Partnership Tax Return Guide before you do so. Otherwise finish filling in the rest of the *Partnership Savings* pages.

Boxes 7.28 to 7.30 *Stock dividends from UK companies*

If the partnership took up an offer of shares in place of a cash dividend, this is a 'stock' dividend. You have to enter stock dividends separately. They have notional tax attached to them.

The dividend statement should have 'the appropriate amount in cash' on it – this is the amount you should enter in box 7.28. Enter in box 7.29 the notional tax (this is $\frac{1}{9}$ of the appropriate amount in cash). Add together

boxes 7.28 and 7.29 and put the result in box 7.30. Ask the company for a statement if you have not got one. If you have doubts about what to include, ask us or your tax adviser for help.

Boxes 7.31 to 7.33 *Non-qualifying distributions and loans written off*

A non-qualifying distribution is:

- a bonus issue by a company of securities or redeemable shares (except a bonus issue giving rise to a qualifying distribution), or
- the paying on of such a bonus issue by a company that has itself received it.

If the partnership receives such a bonus issue of securities or redeemable shares, the amount of the distribution is:

- *for redeemable shares*, their nominal value plus any premium payable
- *for securities*, the amount of the principal secured plus any premium payable minus any new consideration given for that issue.

Enter the amount of the distribution in box 7.33. Multiply that amount by 10% to arrive at the lower rate tax that is treated as paid by the partnership and enter that amount in box 7.32. Leave box 7.31 blank.

A loan or advance made by a company wholly or partly released or written off may be taxable. If so, the amount released or written off is treated as a net amount of income received after deduction of tax at the lower rate.

Include in box 7.31 the amount of the loan released or written off. Multiply this figure by 25% and put the result in box 7.32. Add together the figures in boxes 7.31 and 7.32 and put the result in box 7.33.

Transfer of information to the Partnership Statement (full)

Transfer the amount of notional tax in box 7.34 to box 27 and the taxed income in box 7.35 to box 22A in the *Partnership Statement*. Read pages PTRG 22 to PTRG 25 of the Partnership Tax Return Guide if you want to allocate these figures between the partners at the same time. Otherwise, finish filling in the rest of the *Partnership Savings* pages.

Other partnership income

If the partnership received income which is taxable and you have not included it elsewhere in this form or elsewhere in the Partnership Tax Return, fill in boxes 7.44 to 7.48 using the notes starting below. If you are in doubt about what to include, ask us or your tax adviser for help.

There are many types of transaction which produce such taxable income. Examples include:

- all casual earnings not declared elsewhere on the Partnership Tax Return including 'one-off' freelance income
- payments under covenants entered into for genuine commercial reasons in connection with the payer's trade or profession
- profits from isolated literary or artistic activities
- rental income from leasing equipment owned by the partnership
- underwriting or sub-underwriting commissions
- income received after winding up the partnership's business – for example, payments for the sale of copyright or bad debts, or recovered post-cessation receipts
- sale of patent rights if the partnership received a capital sum
- annual payments from UK unauthorised unit trusts.

Expenses

The amount of taxable income is the gross income the partnership is entitled to (whether or not it received it) in the return period minus allowable expenses incurred in that period. Allowable expenses are those, which:

- had to be spent solely to earn the receipts
- were not spent for private or personal reasons
- were not spent to buy something that the partnership intends to keep for a while (such as a computer). But it may be able to claim capital allowances for this expenditure. Ask us or your tax adviser for help.

You cannot set expenses against annual payments.

How to fill in boxes 7.44 to 7.48

Enter the aggregate figures for all the partnership's other income in the boxes. Keep a record of the separate items of income, and any relevant expenses relating to each item, in case we ask for details later.

Other income received without UK tax deducted

Boxes 7.42 and 7.43

Enter the details of the return period (see the note on page PSN 2) to which the information in boxes 7.44 to 7.48 relates.

Box 7.44 Profit

Enter in box 7.44 the gross amount of income minus expenses for the return period. If the partnership made an overall loss, enter '0' in box 7.44 and the amount of the loss in box 7.45.

Post-cessation receipts and similar business receipts

If the basis on which the partnership's trade or professional profits are taxable has changed (because, for example, there has been a change from the accounts basis to the earnings basis) include in box 7.44 any receipts that, as a result of that change, will not be taken into account during the lifetime of the business.

All other post-cessation receipts received by the partnership after its business has ceased should be included in the partners' personal tax returns – see the notes for box 16 on page TRG 14 in the personal Tax Return Guide.

Box 7.45 Loss

If the partnership's allowable expenses are more than its income, it has suffered a loss. Enter in box 7.45 the amount of any overall loss for the year.

Other income received with UK tax deducted

Boxes 7.46 to 7.48

Enter in box 7.46 the amount of the other income received after tax has been taken off (net), in box 7.47 the amount of tax taken off and in box 7.48 the amount before tax has been taken off (gross).

Give details of annual payments received in the year, including annual payments from unauthorised unit trusts.

Property income distributions ('PIDs') from UK Real Estate Investment Trusts ('REITs') and Property Authorised Investment Funds ('PAIFs') should also be entered in these boxes (tax should have been deducted from PIDs).

Accrued income

Accrued income securities include all interest bearing securities, including permanent interest bearing shares in a building society, government loan stock, and company loan stock, but not shares in a company or National Savings & Investments Certificates. Although they can own and buy and sell such securities, partnerships are not themselves within the accrued income scheme.

You should provide each partner with full details of accrued income securities bought and sold, including whether they were bought or sold with accrued interest (cum-dividend) or without the right to the next interest payment (ex-dividend). Each partner will need to know his share of:

- the nominal holdings bought or sold
- any accrued income scheme charge
- any accrued income relief (rebate interest)
- the actual interest received.

Any charge arising on a partner's share of partnership accrued income securities bought and sold will be reflected on their partnership pages, and any relief will reduce the share of the interest returned.

Transfer of information to the Partnership Statement (full)

Transfer the amount of any untaxed profit (or loss) in box 7.44 (or box 7.45) to box 15 (or box 16) in the *Partnership Statement*.

Transfer the amount of any taxed income in box 7.48 to box 23 and the corresponding tax credit in box 7.47 to box 25, in the *Partnership Statement*.

Read pages PTRG 22 to PTRG 25 of the Partnership Tax Return Guide if you want to allocate these figures between the partners at the same time.

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