

INCOME TAX (TRADING AND OTHER INCOME) ACT 2005

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Part 9: Partnerships

Section 855: Basis periods for partners' notional businesses

3199. This section gives the rules for determining the basis periods for the assessment of a partner's share of the non-trading income of a firm if the firm carries on a trade. It is based on section 111 of ICTA.
3200. There is no special basis of assessment for a partner's share of the taxed income of a firm, or of the untaxed income of a firm that does not carry on a trade. In those cases, the usual tax year basis applies.
3201. *Subsection (1)* gives the general rule that the basis period for the partner's notional business is the same as that for the partner's notional trade.
3202. *Subsections (2) and (3)* are similar to section 852(3) and (5), dealing with notional trades.
3203. If a firm is formed by a sole trader taking another person into partnership to carry on the same trade, subsection (2) makes it clear that the original trader's notional business starts with the formation of the firm. Similarly, if a firm is dissolved and a partner carries on the same trade alone, subsection (3) makes it clear that the continuing trader is treated as ceasing to carry on a notional business.
3204. It follows from the rules in sections 854 and 855 that the income from the partner's notional business is assessed in accordance with the commencement and cessation rules in sections 199, 200 and 202 of this Act.