



Corporation Tax Act 2009

2009 CHAPTER 4

PART 17

PARTNERSHIPS

Calculation of partners' shares

1259 Calculation of firm's profits and losses

- (1) This section applies if a firm carries on a trade and any partner in the firm (“the partner”) is a company within the charge to corporation tax.
- (2) For any accounting period of the firm, the amount of the profits of the trade (“the amount of the firm's profits”) is taken to be the amount determined, in relation to the partner, in accordance with subsection (3) or (4).
- (3) If the partner is UK resident—
 - (a) determine what would be the amount of the profits of the trade chargeable to corporation tax for that period if a UK resident company carried on the trade, and
 - (b) take that to be the amount of the firm's profits.
- (4) If the partner is non-UK resident—
 - (a) determine what would be the amount of the profits of the trade chargeable to corporation tax for that period if a non-UK resident company carried on the trade, and
 - (b) take that to be the amount of the firm's profits.
- (5) The amount of any losses of the trade for an accounting period of the firm is calculated, in relation to the partner, in the same way as the amount of any profits.
- (6) This section is subject to section 1260.

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Modifications etc. (not altering text)

- C2** Ss. 1259-1265 modified (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), **ss. 765(2), 768(4), 1184(1)** (with [Sch. 2](#))

1260 Section 1259: supplementary

- (1) In determining under section 1259 the profits of a trade for any accounting period no account is taken of any losses for another accounting period.
- (2) Profits and losses are determined under section 1259 on the basis that no interest paid or other distribution made by the firm is a distribution for the purposes of section 1305(1) (which provides that no deduction is allowed for dividends or other distributions).

Modifications etc. (not altering text)

- C2** Ss. 1259-1265 modified (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), **ss. 765(2), 768(4), 1184(1)** (with [Sch. 2](#))

1261 Accounting periods of firms

- (1) In this Part references to an accounting period of a firm which carries on a trade are to a period that would be an accounting period of the firm if the firm were a company.
- (2) For the purposes of subsection (1) it is to be assumed that the company by reference to which the accounting periods of the firm are determined (“the deemed company”)—
 - (a) is UK resident,
 - (b) acquires a source of income on the occurrence of an event that falls within subsection (3),
 - (c) ceases to trade on the occurrence of an event that falls within subsection (4), and
 - (d) ceases to trade, and immediately afterwards starts to trade, on the occurrence of a change in the persons carrying on the trade falling within subsection (5).

Paragraph (a) is subject to subsection (6).

- (3) An event falls within this subsection if—
 - (a) immediately before the event no company carries on the trade in partnership, and
 - (b) immediately after the event the trade is carried on in partnership by persons who include a company.
- (4) An event falls within this subsection if—
 - (a) immediately before the event the trade is carried on in partnership by persons who include a company, and
 - (b) immediately after the event no company carries on the trade in partnership.
- (5) A change in the persons carrying on the trade falls within this subsection if—
 - (a) both immediately before and immediately after the change the trade is carried on in partnership by persons who include a company, but

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- (b) no company which carried on the trade immediately before the change continues to carry it on after the change.
- (6) For the purpose of determining, in relation to a partner, the accounting periods by reference to which profits are to be calculated under section 1259, the residence of the deemed company at any time is to be taken to be the same as the partner's.

Modifications etc. (not altering text)

- C2** Ss. 1259-1265 modified (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), **ss. 765(2), 768(4), 1184(1)** (with [Sch. 2](#))
- C3** S. 1261 applied by 2010 c. 4, s. 357GB(5) (as inserted (with effect in accordance with [Sch. 2](#) paras. 7, 8 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), **Sch. 2 para. 1(1)**)

1262 Allocation of firm's profits or losses between partners

- (1) For any accounting period of a firm a partner's share of a profit or loss of a trade carried on by the firm is determined for corporation tax purposes in accordance with the firm's profit-sharing arrangements during that period.

This is subject to sections 1263 ^[F1]to 1264A^[F2] and section 12ABZB of TMA 1970 (partnership return is conclusive)].

- (2) If a firm ^[F3]makes qualifying charitable donations], a partner's ^[F4]share of the donations] is determined for corporation tax purposes in accordance with the firm's profit-sharing arrangements during the accounting period of the firm in which the ^[F5]donations are made].

^{F6}(3)

- (4) In this section and sections 1263 and 1264 “profit-sharing arrangements” means the rights of the partners to share in the profits of the trade and the liabilities of the partners to share in the losses of the trade.

Textual Amendments

- F1** Words in s. 1262(1) substituted (retrospective to 5.12.2013 and with effect in accordance with [Sch. 17](#) paras. 12, 13 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), **Sch. 17 paras. 10(2), 11**
- F2** Words in s. 1262(1) inserted (with effect in accordance with [Sch. 6](#) para. 14 of the amending Act) by [Finance Act 2018 \(c. 3\)](#), **Sch. 6 para. 12**
- F3** Words in s. 1262(2) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), **Sch. 1 para. 691(2)(a)** (with [Sch. 2](#))
- F4** Words in s. 1262(2) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), **Sch. 1 para. 691(2)(b)** (with [Sch. 2](#))
- F5** Words in s. 1262(2) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), **Sch. 1 para. 691(2)(c)** (with [Sch. 2](#))
- F6** S. 1262(3) repealed (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), [Sch. 1](#) para. 691(3), **Sch. 3 Pt. 1** (with [Sch. 2](#))

Modifications etc. (not altering text)

- C2** Ss. 1259-1265 modified (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), **ss. 765(2), 768(4), 1184(1)** (with [Sch. 2](#))

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C4 S. 1262(1) applied by 2010 c. 4, s. 357WH (as inserted (with effect in accordance with s. 5 of the amending Act) by Corporation Tax (Northern Ireland) Act 2015 (c. 21), s. 1)

1263 Profit-making period in which some partners have losses

- (1) For any accounting period of a firm, if—
- the calculation under section 1259 in relation to a partner (“company A”) produces a profit, and
 - company A's share determined under section 1262 is a loss, company A's share of the profit of the trade is neither a profit nor a loss.
- (2) For any accounting period of a firm, if—
- the calculation under section 1259 in relation to company A produces a profit,
 - company A's share determined under section 1262 is a profit, and
 - the comparable amount for at least one other partner is a loss, company A's share of the profit of the trade is the amount produced by the formula in subsection (3).
- (3) The formula is—

$$FP \times \frac{PP}{PP + TCP}$$

where—

FP is the amount of the firm's profit calculated under section 1259 in relation to company A,

PP is the amount determined under section 1262 to be company A's profit, and

TCP is the total of the comparable amounts attributed to other partners under Step 3 in subsection (4) that are profits.

- (4) The comparable amount for each partner other than company A is determined as follows.

Step 1

Take the firm's profit calculated under section 1259 in relation to company A.

Step 2

Determine in accordance with the firm's profit-sharing arrangements during the relevant accounting period the shares of that profit that are attributable to each of the other partners.

Step 3

Each such share is the comparable amount for the partner to whom it is attributed.

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- (5) In subsections (2) to (4) “partner” means any partner in the firm, whether or not within the charge to corporation tax.

Modifications etc. (not altering text)

- C2** Ss. 1259-1265 modified (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), [ss. 765\(2\), 768\(4\)](#), [1184\(1\)](#) (with [Sch. 2](#))

1264 Loss-making period in which some partners have profits

- (1) For any accounting period of a firm, if—
- (a) the calculation under section 1259 in relation to a partner (“company A”) produces a loss, and
 - (b) company A's share determined under section 1262 is a profit, company A's share of the loss of the trade is neither a profit nor a loss.
- (2) For any accounting period of a firm, if—
- (a) the calculation under section 1259 in relation to company A produces a loss,
 - (b) company A's share determined under section 1262 is a loss, and
 - (c) the comparable amount for at least one other partner is a profit, company A's share of the loss of the trade is the amount produced by the formula in subsection (3).
- (3) The formula is—

$$FL \times \frac{PL}{PL + TCL}$$

where—

FL is the amount of the firm's loss calculated under section 1259 in relation to company A,

PL is the amount determined under section 1262 to be company A's loss, and

TCL is the total of the comparable amounts attributed to other partners under Step 3 in subsection (4) that are losses.

- (4) The comparable amount for each partner other than company A is determined as follows.

Step 1

Take the firm's loss calculated under section 1259 in relation to company A.

Step 2

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Determine in accordance with the firm's profit-sharing arrangements during the relevant accounting period the shares of that loss that are attributable to each of the other partners.

Step 3

Each such share is the comparable amount for the partner to whom it is attributed.

- (5) In subsections (2) to (4) “partner” means any partner in the firm, whether or not within the charge to corporation tax.

Modifications etc. (not altering text)

- C2** Ss. 1259-1265 modified (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), **ss. 765(2), 768(4), 1184(1)** (with [Sch. 2](#))

[^{F7}1264A] Excess profit allocation to non-individual partners etc

- (1) Subsection (2) applies in a case in which—
- (a) section 850C(4) or 850D(4) of ITTOIA 2005 applies for a period of account (“the relevant period of account”), and
 - (b) the partner who is “B” for the purposes of section 850C or 850D of that Act (as the case may be) is a company.
- (2) In applying sections 1262 to 1264 in relation to the company—
- (a) for the accounting period of the firm which coincides with the relevant period of account, or
 - (b) if no accounting period of the firm coincides with the relevant period of account, for accounting periods of the firm in which the relevant period of account falls,
- such adjustments are to be made as are just and reasonable to take account of the increase under section 850C(4) of ITTOIA 2005 or A's share of the firm's profit under section 850D(4) of that Act.
- (3) Sections 850C(23) and 850E(2) of ITTOIA 2005 apply for corporation tax purposes as they apply for income tax purposes.]

Textual Amendments

- F7** S. 1264A inserted (retrospective to 5.12.2013 and with effect in accordance with [Sch. 17 paras. 12, 13](#) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), **Sch. 17 paras. 10(3), 11**

1265 Apportionment of profit share between partner's accounting periods

- (1) This section applies if—
- (a) a share of a profit or loss calculated for an accounting period of a firm is allocated to a company under any of sections 1262 to 1264, and
 - (b) the accounting period of the firm does not coincide with an accounting period of the company.

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- (2) The share of the profit or loss must be apportioned between the accounting periods of the company in which the accounting period of the firm falls.

Modifications etc. (not altering text)

- C2** Ss. 1259-1265 modified (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), [ss. 765\(2\), 768\(4\)](#), [1184\(1\)](#) (with [Sch. 2](#))

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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

- Blanket amendment words substituted by [S.I. 2011/1043 art. 34](#)

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 322(2A)(zb) inserted by [2016 c. 24 s. 73\(5\)](#)
- s. 934(1A)(1B) inserted by [2023 c. 30 Sch. 2 para. 12\(2\)](#)
- s. 962(3A) inserted by [2023 c. 30 Sch. 2 para. 12\(5\)\(b\)](#)
- s. 962A(3A) inserted by [2023 c. 30 Sch. 2 para. 12\(6\)\(b\)](#)
- s. 963(1A) inserted by [2023 c. 30 Sch. 2 para. 12\(7\)\(a\)](#)
- s. 1058B(5)(ea) inserted by [2023 c. 20 Sch. para. 57](#)
- s. 1094(2A)-(2C) inserted by [2012 c. 14 Sch. 3 para. 13\(3\)](#)
- s. 1106(4A)-(4C) inserted by [2012 c. 14 Sch. 3 para. 14\(3\)](#)
- s. 1138A applied by [S.I. 2024/348 reg. 3](#)