



# Corporation Tax Act 2009

## 2009 CHAPTER 4

### PART 17

#### PARTNERSHIPS

##### *Miscellaneous*

#### **1271 Sale of patent rights: effect of partnership changes**

- (1) This section applies if each of the following conditions is met—
- (a) a person (“the trader”) sells the whole or part of any patent rights in carrying on a trade,
  - (b) tax is chargeable under section 912 of this Act or section 587 of ITTOIA 2005 on the proceeds of the sale or on any instalment of those proceeds,
  - (c) the tax is chargeable in one or more accounting periods or tax years (referred to in this section as “the tax charge periods”),
  - (d) there is a change in the persons carrying on the trade at any time between the beginning of the first of those tax charge periods and the end of the last of them, and
  - (e) the partnership condition and the continuity condition are met.
- (2) The partnership condition is that—
- (a) the trader is a firm at the time of the sale, or
  - (b) the trade is carried on in partnership at any time between the beginning of the first of the tax charge periods and the end of the last of them.
- (3) The continuity condition is—
- (a) in the case of an amount chargeable under section 912, that a company which carried on the trade in partnership immediately before the change continues to carry it on in partnership after the change, or
  - (b) in the case of an amount chargeable under section 587 of ITTOIA 2005, that a person who carried on the trade immediately before the change continues to carry it on after the change.

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- (4) Any amounts chargeable in respect of the proceeds or instalment that would (apart from this section) be treated in accordance with Chapter 3 of Part 9 of this Act or Chapter 2 of Part 5 of ITTOIA 2005 as profits of the seller of the patent rights chargeable in tax charge periods falling wholly after the change are treated for corporation tax purposes—
- (a) as proceeds, arising at a constant daily rate during the remainder of the relevant period, of a sale of patent rights by the person or persons carrying on the trade after the change, and
  - (b) if the trade is carried on in partnership after the change, as arising to the partners in shares calculated in accordance with the firm's profit-sharing arrangements.
- (5) If the change occurs during the course of a tax charge period—
- (a) any company that would, but for this section, have been charged to corporation tax in that period on a sum (“S”) in respect of the proceeds or instalment is so charged on a fraction of S proportionate to the length of the part of the period before the change, and
  - (b) the balance of S not dealt with under paragraph (a) is treated for the purposes of this section and section 861 of ITTOIA 2005 (sale of patent rights: effect of partnership changes) as if it were an amount such as is described in subsection (4).
- (6) In this section “the remainder of the relevant period” means—
- (a) if one or more tax charge periods begins after the tax charge period in which the change occurs, the period beginning immediately after the change and ending 6 years after the beginning of the first of the tax charge periods, or
  - (b) otherwise, the period beginning immediately after the change and ending at the end of the tax charge period in which the change occurs.
- (7) In this section “profit-sharing arrangements” means the rights of the partners to share in the profits of the trade.

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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](#)