

## SCHEDULES

### SCHEDULE 6

#### PARTNERSHIPS

#### PART 2

##### NOTIONAL TRADE AND BUSINESS OF INDIRECT PARTNER

- 5 (1) ITTOIA 2005 is amended as follows.
- (2) In section 847 (general provisions), after subsection (3) insert—
- “(4) For the purposes of this Part, a person is an indirect partner in a partnership (“the underlying partnership”) if the person is a partner in—
- (a) a partnership which is a partner in the underlying partnership, or
  - (b) any partnership which is an indirect partner in the underlying partnership by virtue of the preceding application of this subsection.”
- (3) After section 852 insert—

##### “852A Notional trades: indirect partners

- (1) This section applies in relation to the notional trade of a partner in a firm if—
- (a) the firm consists of a partnership which is a partner or indirect partner in another partnership (“the underlying partnership”),
  - (b) the members of the underlying partnership carry on a trade (the “underlying trade”),
  - (c) the firm’s trading profits or losses referred to in section 852(1) arise by virtue of profits or losses (“the underlying profits or losses”) arising in the carrying on of the underlying trade, and
  - (d) the underlying profits or losses do not themselves arise by virtue of the underlying partnership’s membership of a partnership.
- (2) Section 852 (carrying on by partner of notional trade) has effect as if for subsections (2) to (5) there were substituted—
- “(2) The partner starts to carry on the notional trade at the later of—
- (a) when the partner becomes an indirect partner in the underlying partnership, and
  - (b) when the underlying partnership starts to carry on the underlying trade.

This is subject to subsection (3).

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*Status: This is the original version (as it was originally enacted).*

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- (3) If the partner carries on the actual trade (whether alone or in partnership) before the underlying partnership starts to carry on the underlying trade, the partner starts to carry on the notional trade when the partner starts to carry on the actual trade.
- (4) The partner permanently ceases to carry on the notional trade at the earlier of—
  - (a) when the partner ceases to be an indirect partner in the underlying partnership, and
  - (b) when the underlying partnership permanently ceases to carry on the underlying trade.

This is subject to subsection (5).

- (5) If the partner carries on the actual trade (whether alone or in partnership) after the underlying partnership permanently ceases to carry on the underlying trade, the partner permanently ceases to carry on the notional trade when the partner permanently ceases to carry on the actual trade.””

- (4) After section 855 insert—

**“855A Notional business: indirect partners**

- (1) This section applies in relation to the notional business of a partner in a firm if—
  - (a) the firm consists of a partnership which is a partner or indirect partner in another partnership (“the underlying partnership”),
  - (b) the members of the underlying partnership carry on a trade (“the underlying trade”),
  - (c) the firm’s untaxed income or relievable losses referred to in section 854(1)(b) arise by virtue of untaxed income or relievable losses (“the underlying profits or losses”) arising to members of the underlying partnership—
    - (i) from sources other than the carrying on of a trade, and
    - (ii) otherwise than by virtue of the underlying partnership’s membership of a partnership.
- (2) Section 854 (carrying on by partner of notional business) has effect as if—
  - (a) for subsection (2) there were substituted—
    - “(2) The partner starts to carry on the notional business at the later of—
      - (a) when the partner becomes an indirect partner in the underlying partnership, and
      - (b) when the underlying partnership starts to carry on the underlying trade.”;
  - (b) for subsection (4) there were substituted—
    - “(4) The partner permanently ceases to carry on the notional business at the earlier of—
      - (a) when the partner ceases to be an indirect partner in the underlying partnership, and

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*Status: This is the original version (as it was originally enacted).*

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- (b) when the underlying partnership permanently ceases to carry on the underlying trade.”
- (3) Section 855 has effect as if for subsections (2) and (3) there were substituted—
  - “(2) If the partner carries on the actual trade (whether alone or in partnership) before the firm starts to carry it on, the partner starts to carry on the notional business when the firm starts to carry on the actual trade.
  - (3) If the partner carries on the actual trade (whether alone or in partnership) after the firm permanently ceases to carry it on, the partner permanently ceases to carry on the notional business when the firm permanently ceases to carry on the actual trade.”
- (4) In this section “untaxed income” has the same meaning as in section 854.”
- (5) The amendments made by this paragraph have effect in relation to the tax year 2018-19 and subsequent tax years.