



Corporation Tax Act 2009

2009 CHAPTER 4

PART 17

PARTNERSHIPS

Miscellaneous

1270 Special provisions about farming and property income

- (1) The rule in section 36(2) (farming trades) operates in relation to firms so that—
 - (a) all farming in the United Kingdom which a firm carries on, other than farming carried on as part of another trade, is treated as one trade, but
 - (b) the farming carried on by a firm which is treated as one trade is not included in any farming trade of any partner in the firm.
- (2) Section 205 (UK property business) operates in relation to firms so that—
 - (a) every business and transaction mentioned in that section carried on, or entered into, by a firm constitutes the firm's UK property business, but
 - (b) each business or transaction included in the firm's UK property business is not included in any UK property business of any partner in the firm.
- (3) Section 206 (overseas property business) operates in relation to firms so that—
 - (a) every business and transaction mentioned in that section carried on, or entered into, by a firm constitutes the firm's overseas property business, but
 - (b) each business or transaction included in the firm's overseas property business is not included in any overseas property business of any partner in the firm.

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,

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- (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.
- (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.

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- (7) In this section “profit-sharing arrangements” means the rights of the partners to share in the profits of the trade.

1272 Sale of patent rights: effect of later cessation of trade

- (1) This section applies if—
- (a) a person sells the whole or part of any patent rights in carrying on a trade,
 - (b) by virtue of section 1271 amounts are chargeable to corporation tax under section 912 as profits of one or more companies for the time being carrying on the trade in partnership,
 - (c) a partner which is a company ceases to carry on the trade after that, and
 - (d) no company which carried on the trade immediately before the cessation continues to carry on the trade in partnership immediately after the cessation.
- (2) Any amounts mentioned in subsection (1)(b) which would have been chargeable in any accounting period of a company later than that in which the cessation occurred are charged in the accounting period of the company in which the cessation occurred.

1273 Limited liability partnerships

- (1) For corporation tax purposes, if a limited liability partnership carries on a trade or business with a view to profit—
- (a) all the activities of the limited liability partnership are treated as carried on in partnership by its members (and not by the limited liability partnership as such),
 - (b) anything done by, to or in relation to the limited liability partnership for the purposes of, or in connection with, any of its activities is treated as done by, to or in relation to the members as partners, and
 - (c) the property of the limited liability partnership is treated as held by the members as partnership property.

References in this subsection to the activities of the limited liability partnership are to anything that it does, whether or not in the course of carrying on a trade or business with a view to profit.

- (2) For all purposes, except as otherwise provided, in the Corporation Tax Acts—
- (a) references to a firm include a limited liability partnership in relation to which subsection (1) applies,
 - (b) references to members of a firm include members of such a limited liability partnership,
 - (c) references to a company do not include such a limited liability partnership, and
 - (d) references to members of a company do not include members of such a limited liability partnership.
- (3) Subsection (1) continues to apply in relation to a limited liability partnership which no longer carries on any trade or business with a view to profit—
- (a) if the cessation is only temporary, or
 - (b) during a period of winding up following a permanent cessation, provided that—
 - (i) the winding up is not for reasons connected in whole or in part with the avoidance of tax, and

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(ii) the period of winding up is not unreasonably prolonged.

This is subject to subsection (4).

- (4) Subsection (1) ceases to apply in relation to a limited liability partnership—
- (a) on the appointment of a liquidator or (if earlier) the making of a winding up order by the court, or
 - (b) on the occurrence of any event under the law of a territory outside the United Kingdom corresponding to an event specified in paragraph (a).

Modifications etc. (not altering text)

- C1** S. 1273 excluded by 2010 c. 8, s. 259GE(8) (as inserted (with effect in accordance with Sch. 10 paras. 18-21 of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [Sch. 10 para. 1](#))

[^{F1}1273A Limited liability partnerships: salaried members

- (1) Subsection (2) applies at any time when section 863A(2) of ITTOIA 2005 (limited liability partnerships: salaried members) applies in the case of an individual (“M”) who is a member of a limited liability partnership in relation to which section 1273(1) applies.
- (2) In relation to the charge to corporation tax on income, for the purposes of the Corporation Tax Acts—
 - (a) M is to be treated as being employed by the limited liability partnership under a contract of service instead of being a member of the partnership, and
 - (b) accordingly, M's rights and duties as a member of the limited liability partnership are to be treated as rights and duties under that contract of service.]

Textual Amendments

- F1** S. 1273A inserted (6.4.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 17 paras. 2, 6](#)

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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](#)