



# Income Tax (Trading and Other Income) Act 2005

## 2005 CHAPTER 5

### PART 9

#### PARTNERSHIPS

##### *Firms with trading and other source income*

#### **854 Carrying on by partner of notional business**

- (1) For each tax year in which a firm—
  - (a) carries on a trade, and
  - (b) has untaxed income or relieviable losses from other sources,each partner's share of the firm's untaxed income or relieviable losses other than trading profits or losses is treated, for the purposes of Chapter 15 of Part 2, as profits or losses of a trade carried on by the partner alone (the "notional business").
- (2) A partner starts to carry on a notional business at the later of—
  - (a) when becoming a partner in the firm, and
  - (b) when the firm starts to carry on a trade.
- (3) A notional business continues even if either or both of the following occur—
  - (a) separate sources of income that comprise the business start and cease, and
  - (b) no income arises during a particular tax year.

This is subject to subsections (4) and (5).

- (4) A partner permanently ceases to carry on a notional business at the earlier of—
  - (a) when the partner ceases to be a partner in the firm, and
  - (b) when the firm permanently ceases to carry on a trade.
- (5) If—

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*Status: This is the original version (as it was originally enacted).*

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- (a) the firm carries on the trade wholly or partly outside the United Kingdom, and
  - (b) the partner becomes or ceases to be UK resident,
- the partner is treated as permanently ceasing to carry on one notional business when the change of residence occurs and starting to carry on another immediately afterwards.
- (6) In this section “untaxed income” means any income that is not—
- (a) income from which income tax has been deducted,
  - (b) income from or on which income tax is treated as having been deducted or paid, or
  - (c) dividends or other distributions of a company chargeable under Chapter 3 of Part 4.