



Income Tax Act 2007

2007 CHAPTER 3

PART 4

LOSS RELIEF

CHAPTER 3

RESTRICTIONS ON TRADE LOSS RELIEF FOR CERTAIN PARTNERS

Non-active members of LLPs or other partnerships (apart from limited partnerships)

112 Meaning of “non-active partner” and “early tax year” etc

- (1) For the purposes of this Chapter an individual carries on a trade as a non-active partner during a tax year if the individual—
 - (a) carries on the trade as a partner in a firm at a time during the year,
 - (b) does not carry on the trade as a limited partner at any time during the year, and
 - (c) does not devote a significant amount of time to the trade in the relevant period for the year.
- (2) For the purposes of this Chapter an individual devotes a significant amount of time to a trade in the relevant period for a tax year if, in that period, the individual spends an average of at least 10 hours a week personally engaged in activities carried on for the purposes of the trade.
- (3) For this purpose “the relevant period” means the basis period for the tax year (unless the basis period is shorter than 6 months).
- (4) If the basis period for the tax year is shorter than 6 months, “the relevant period” means—
 - (a) the period of 6 months beginning with the date on which the individual first started to carry on the trade (if the basis period begins with that date), or

Status: This is the original version (as it was originally enacted).

- (b) the period of 6 months ending with the date on which the individual permanently ceased to carry on the trade (if the basis period ends with that date).
- (5) If—
 - (a) any relief is given on the assumption that the individual devoted or will devote a significant amount of time to the trade in the relevant period for a tax year, but
 - (b) the individual in fact failed or fails to do so,the relief is withdrawn by the making of an assessment to income tax under this section.
- (6) In this Chapter “early tax year” means, in relation to an individual carrying on a trade—
 - (a) the tax year in which the individual first started to carry on the trade, or
 - (b) one of the next 3 tax years.