

Partnerships

A partnership is a business structure where two or more individuals or entities work together to run a business and share profits.

Partnerships offer flexibility and shared responsibility, making them popular for professional services, family businesses, and collaborative ventures. There are several types of partnerships, each with different legal and tax implications.

General Partnership

- ✓ All partners share profits and liabilities
- ✓ Unlimited personal liability
- ✓ Simple to set up
- ✓ No registration required

Limited Partnership (LP)

- ✓ General and limited partners
- ✓ Limited partners have limited liability
- ✓ Must register with Companies House
- ✓ Less common structure

Limited Liability Partnership (LLP)

- ✓ Separate legal entity
- ✓ Limited liability for all members

- ✓ Must register with Companies House
- ✓ Popular for professional firms

Scottish Partnership

- ✓ Separate legal entity in Scotland
- ✓ Different legal treatment
- ✓ Can own property
- ✓ Specific Scottish law applies

Our Comprehensive Partnership Services

➤ Partnership Formation & Registration

Complete setup including partnership agreements, LLP registration with Companies House, and initial compliance setup.

➤ Partnership Accounts Preparation

Full statutory accounts for LLPs and management accounts for general partnerships, prepared to professional standards.

➤ Partnership Tax Returns (SA800)

Accurate preparation and filing of partnership tax returns with HMRC, including profit allocation statements.



7 Partners' Personal Tax Returns (SA100)

Individual self-assessment returns for all partners, including partnership income allocation

7 Profit Allocation & Distribution

Calculation and documentation of profit shares according to partnership agreement.

7 Partnership Agreement Advice

Guidance on structuring profit-sharing arrangements, capital contributions, and exit provisions.

7 Bookkeeping Services

Day-to-day transaction recording, bank reconciliation, and maintenance of accurate partnership records.

7 Management Accounts

Regular financial reports showing partnership performance and individual partner positions.

7 VAT Returns & Compliance

Quarterly or monthly VAT return preparation and submission.

7 Payroll Services

Complete payroll processing for partnership employees, including RTI submissions and pension compliance.

7 LLP Annual Accounts Filing

Statutory accounts preparation and filing with Companies House for LLPs.

7 LLP Confirmation Statement

Annual confirmation statement preparation and submission for LLPs.

7 Capital Account Management

Tracking of partner capital contributions, drawings, and current account balances.

7 Tax Planning for Partners

Strategic advice on income extraction, pension contributions, and tax-efficient profit distribution.

7 Partnership Changes

Managing admissions, retirements, and changes in profit-sharing ratios.

Key Tax Obligations & Deadlines

Obligation	Deadline	Details
Partnership Tax Return (SA800)	31 January following tax year end.	Partnership statement showing total profits and allocation to partners.
Partners' Personal Tax Returns	31 January following tax year end.	Individual SA100 returns for each partner including partnership pages.
Payment on Account (1st)	31 January during tax year.	50% of previous year's tax liability (partners pay individually).



Obligation	Deadline	Details
Payment on Account (2nd)	31 July following tax year end.	Second 50% payment on account (partners pay individually).
Balancing Payment	31 January following tax year end.	Final tax payment to settle any remaining liability.
LLP Annual Accounts	9 months after year end.	Statutory accounts filed with Companies House (LLPs only).
LLP Confirmation Statement	Annually (within 14 days of review date).	Confirmation of LLP details with Companies House.
VAT Returns	1 month and 7 days after period end.	Quarterly or monthly depending on scheme.

Important: Partners are personally responsible for their own tax payments. Late filing penalties start at £100 and increase significantly for continued delays. We ensure all partnership and individual returns are filed on time.

VAT Information for Partnerships

VAT Registration Thresholds (2024/25)

Mandatory Registration Threshold: £90,000 - The partnership must register for VAT if taxable turnover exceeds £90,000 in any rolling 12-month period.

Deregistration Threshold: £88,000 - The partnership can deregister if turnover falls below this amount.

Voluntary Registration: Partnerships can register voluntarily even if below the threshold, beneficial if you have significant VAT on purchases.

Partnership VAT Registration: VAT is registered in the partnership name, not individual partners' names.

VAT Schemes Available to Partnerships

Standard VAT Accounting

- ✓ Charge VAT at 20% (standard rate)

- ✓ Reclaim VAT on partnership purchases
- ✓ Quarterly returns
- ✓ Suitable for most partnerships

Flat Rate Scheme

- ✓ Pay flat rate % of turnover
- ✓ Simplified accounting
- ✓ Keep the difference
- ✓ Turnover under £150,000

Cash Accounting Scheme

- ✓ Pay VAT when paid by customers
- ✓ Reclaim when you pay suppliers
- ✓ Improves cash flow
- ✓ Turnover under £1.35 million



Annual Accounting Scheme

- ✓ One VAT return per year
- ✓ Make advance payments
- ✓ Reduces admin burden
- ✓ Turnover under £1.35 million

Making Tax Digital (MTD) for VAT

All VAT-registered partnerships must use MTD-compatible software to keep digital records and submit VAT returns. The partnership is responsible for compliance, though individual partners may need access to records. We provide full MTD support including software setup, training, and ongoing compliance assistance.

Our Partnership VAT Services Include

- ✓ Partnership VAT registration and deregistration
- ✓ Advice on the most suitable VAT scheme for your partnership
- ✓ Quarterly or monthly VAT return preparation and submission
- ✓ VAT reconciliation and error correction
- ✓ MTD compliance and software integration
- ✓ VAT planning to optimise partnership cash flow
- ✓ Representation in VAT inspections and disputes
- ✓ Advice on complex VAT issues affecting partnerships
- ✓ Partner-specific VAT advice for mixed business activities

Partnership Tax Treatment

Partnerships are treated as transparent for tax purposes, meaning the partnership itself doesn't pay income tax. Instead, each partner is taxed individually on their share of partnership profits, regardless of whether profits are actually withdrawn. This is known as the "arising basis" of taxation.

Income Tax

- ✓ Partners taxed on profit share
- ✓ Rates: 20%, 40%, 45%
- ✓ Personal allowance: £12,570
- ✓ Taxed even if not withdrawn

Class 2 National Insurance

- ✓ £3.45 per week (2024/25)
- ✓ Paid if profits over £6,725
- ✓ Collected via self-assessment
- ✓ Builds state pension entitlement

Class 4 National Insurance

- ✓ 9% on profits £12,570-£50,270
- ✓ 2% on profits over £50,270
- ✓ Paid via self-assessment
- ✓ No upper age limit from 2024

Capital Gains Tax

- ✓ On disposal of partnership assets
- ✓ Business Asset Disposal Relief available
- ✓ 10% rate on qualifying gains
- ✓ Lifetime limit: £1 million



Special Considerations

Opening Year Rules

New partnerships face special tax rules in their opening years. Profits are allocated based on the accounting period that falls within each partner's tax year, which can result in overlap profits. We ensure these are correctly calculated and tracked for relief.

Closing Year Rules

When a partnership ceases or a partner leaves, special closing year rules apply. Overlap relief accumulated from the opening years can be claimed, and final profit allocations must be carefully calculated. We manage this process to ensure optimal tax treatment.

Why Choose Our Partnership Services?

Partnership Specialists

Extensive experience with all partnership types including complex profit-sharing arrangements.

Multi-Partner Coordination

We manage all partners' tax affairs efficiently, ensuring consistency and accuracy.

Profit Allocation Expertise

Expert guidance on structuring profit shares for tax efficiency and fairness.

LLP Compliance

Full Companies House compliance for LLPs including accounts and confirmation statements.

Partner Tax Planning

Individual tax planning for each partner to minimize overall tax burden.

Partnership Changes

Smooth management of partner admissions, retirements, and restructuring.

Transparent Reporting

Clear reports showing partnership performance and individual partner positions.

Dispute Resolution

Assistance with partnership disputes and financial disagreements.



Ready to Get Started?

Contact us today for a free, no-obligation consultation to discuss your partnership's accounting needs. We'll provide a tailored quote based on your partnership structure and requirements.

[Book a Financial Clarity Call](#)



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