

Explanatory Notes on completion of Form1 (Firms) Partnership Tax Return 2006

The following notes on some items in this Return will be of assistance to you.

1 Profits from Trades, Professions or Vocations

Show the amount of the profits for 2006, except if:

- one account has been made up to a date in the year ended 31 December 2006, show the amount of the profits for the period covered by that account, or
- two or more accounts have been made up to dates in the year ended 31 December 2006, show the amount of the profits of all of the periods covered by those accounts.

Extracts From Accounts

The following are guidance notes on some of the individual items requested on the *Extracts From Accounts* on pages 3 and 4. The *Extracts From Accounts* section must be completed in all cases where the partnership is in receipt of income from a trade (including farming), profession or vocation except in the limited circumstances identified on the top of page 3. It is important to note that the *Extracts From Accounts* pages are **not** a tax adjustment computation/calculation.

Income

1.15 Sales/receipts/turnover - this is gross trading income receivable excluding Government payments included at 1.16 below.

1.16 Receipts from Government Agencies (GMS, etc.) - this includes payments by Government Departments, e.g. GMS payments, Free Legal Aid payments, Department of Agriculture and Food payments, etc.

1.17 Other Income including tax exempt income - include here any other income, including tax exempt income, that you normally include with the accounts. Do not include income which should be taxed under a separate heading, (e.g. rental income, dividends, interest, etc.). This should be returned in the appropriate panel of the Return.

Trading Account Items

1.19 Gross Trading Profits - this is the gross profit of your business after adjusting for opening and closing stocks and input costs.

Expenses and Deductions

1.20 Salaries/Wages, Staff costs - this includes all staff remuneration (taxed and untaxed), staff training, redundancy payments, PRSI, pensions, etc.

The partners' wages should not be included but should be input in 'Drawings', see 1.29 below.

1.21 Sub-Contractors - this relates to building, meat-processing and forestry businesses. Sub-Contractors are those defined by Section 531 TCA 1997.

1.24 Repairs/Renewals - these are costs incurred in the maintenance and upkeep of the business property and the running maintenance and upkeep of the business equipment and machinery. Enhancements or improvements to property are not maintenance and, as capital, should be added back in the Adjusted Profit Computation.

1.25 Depreciation, Goodwill/Capital write-off - depreciation relates to business assets provided for during the accounting period. It should be added back in the Adjusted Profit Computation. Goodwill/Capital write-off relates to any write-off of the value of assets during the accounting period. It should also be added back in the Adjusted Profit Computation.

1.26 Provisions including Bad Debts - do not include provision for depreciation.

Capital Account and Balance Sheet Items

1.29 Drawings (Net of Tax and Pension contributions) - all funds drawn from the business by the partners including wages, goods for own use, private expenses paid through the business, etc. but excluding tax paid and any pension payments made.

1.30 Closing Capital Balance - this is the closing balance on the capital account after accounting for drawings, capital introduced and the profit or loss for the accounting period.

1.31 Stock, Work in Progress, Finished goods - this is the value of stocks, etc. as at the end of the accounting period.

1.32 Debtors and Prepayments - this is the figure for closing debtors and prepayments at the end of the accounting period.

1.33 Cash/Bank (Debit) - this is cash on hand or in a bank. It should include all deposit accounts, savings accounts, current accounts, Credit Union accounts, Building Society accounts, etc.

1.34 Bank/Loans/Overdraft (Credit) - these are borrowings at the end of the accounting period.

1.37 Creditors and Accruals - this is the figure for closing creditors and accruals at the end of the accounting period.

1.38 Tax Creditors - VAT, PAYE, Income Tax, Relevant Contracts Tax and Capital Gains Tax owing.

1.39 Net Assets - these are fixed and current assets less liabilities at the end of the accounting period.

Extracts from Adjusted Profit Computation

Profit/Loss

1.40 Net Profit per accounts - excluding exempt income and related expenses.

1.41 Net Loss per accounts - excluding exempt income and related expenses.

Adjustments

1.42 Motor Expenses - add back Private element.

1.43 Donations (Political and Charitable)/Entertainment - political and charitable donations, and entertainment expenses are not allowable and should be added back.

1.44 Light, Heat and Phone - add back Private element.

1.45 Net gain on sale of fixed/chargeable assets - a profit on the sale of assets included in the **Profit & Loss Account** should be deducted in the **Adjusted Profit Computation**.

1.46 Net loss on sale of fixed/chargeable assets - a loss on the sale of assets included in the **Profit & Loss Account** should be added back in the **Adjusted Profit Computation**.

4 Rental Income from Land and Property in the State

4.1 Entitlement to a deduction for interest paid on borrowed money employed in the purchase, improvement, or repair of a rented residential property is conditional on compliance with the registration requirements of the Residential Tenancies Act 2004. Any queries on the registration requirements/process should be addressed to the Private Residential Tenancies Board, www.prtb.ie.

13 Particulars of the Several Partners during Accounting Period(s) covered in Panel 1

Panel 13 is set out on pages 7 and 8 of the return. Care should be taken that entries on each page are aligned correctly. Each row is lettered to assist in matching the information on both pages.

Columns (i), (ii) and/or (iii), and (vi) must be completed in all cases; the other columns are only relevant in some cases.

Note:

In giving the basis of distribution in panel 13 you should ignore partners' salaries, interest on capital, etc.

16 Unallocated Partnership Profits

This refers to partnership profits which remain unallocated after the individual partners have been allocated their share of the partnership income. It does not refer to undistributed profits which, although allocated to individual partners, has not been distributed to them.