

# Explanatory Notes on completion of Form 1 (Firms) Partnership Tax Return 2007

**This Tax Return is for use by partnerships.**

The **Precedent partner** is required by Section 951 Taxes Consolidation Act, as amended, to prepare and deliver a Return of partnership income and gains for 2007 on or before 31 October 2008.

The Return should be made by the partner:

- who is the first named in the agreement of partnership, or
- who is named singly or with precedence in the usual name of the firm if there is no agreement, or
- if the partner named with precedence is not an acting partner then by the precedent acting partner.

If no partner is resident in the State, the Return should be made by the firm's agent, manager or factor resident in the State.

**Individual partners should make separate returns on Form 11, in addition to this Return.**

## Revenue On-Line Service (ROS)

An alternative way to completing the paper Return is to file your Return electronically through the Revenue On-Line Service (ROS). You can access ROS through Revenue's website [www.revenue.ie](http://www.revenue.ie)

## Sign and Date the Return

Before submitting the Return, be sure to sign and date the Declaration on the front page of the Return. If you are making the Return as an authorised agent, manager or factor resident in the State enter the capacity in which you are signing the Return and for whom you are acting.

## Attachments and Business Accounts

**You should not submit any correspondence or documentation with your Return**, except where expressly asked to do so; for example, where you have a genuine doubt about any item in the Return you should note Line 2 on page 3 of the Return and enclose a letter setting out the point at issue. Supporting documentation, including business accounts, must however be retained for six years as it may be requested by Revenue for the purposes of an assurance check or an audit.

## Remember:

- you must prepare business accounts but you should not submit them with your 2007 Return. Instead, you are required to complete the Extracts From Accounts section of the Return.
- do not submit lists or schedules with the Return (unless specifically requested). The totals should be entered on the Return.
- do not enter terms such as 'per attached', 'as before', etc. You must instead enter the requested information.

Incomplete Returns will be sent back to you for proper completion, and you may incur a surcharge if the corrected Return is submitted late.

## Cancellation of Taxhead Registration

If a partnership has ceased trading and the partnership intends to cancel its registration for tax Revenue must be notified at the earliest opportunity by completion of a Form TRCN1 available on Revenue's website at <http://www.revenue.ie/en/tax/it/forms/trcn1.pdf> or by phoning the local Revenue office.

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

## **A - PARTNERSHIP DETAILS**

### **Particulars of the Several Partners during Accounting Period(s) covered in Panel B**

Sections 3 and 4 are set out on pages 2 and 3 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 sections 3 and 4 you should ignore partners' salaries, interest on capital, etc.

## **B - PROFITS FROM TRADES, PROFESSIONS OR VOCATIONS**

Show the amount of the profits for 2007, except if:

- one account has been made up to a date in the year ended 31 December 2007, 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 2007, 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. 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 circumstance identified. It is important to note that the Extracts From Accounts pages are **not** a tax adjustment computation/calculation.

### **Income**

- 115 Sales/receipts/turnover** - this is gross trading income receivable excluding 'Government payments', see 116 below.
- 116 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.
- 117 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**

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

### **Expenses and Deductions**

- 120 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 entered at 'Drawings', see 129 below.
- 121 Sub-Contractors** - this relates to building, meat-processing and forestry businesses.  
Sub-Contractors are those defined by Section 531 TCA 1997.
- 124 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.

**125 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.

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

### Capital Account and Balance Sheet Items

**129 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.

**130 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.

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

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

**133 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.

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

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

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

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

### Extracts from Adjusted Profit Computation

#### Profit/Loss

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

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

#### Adjustments

**142 Motor Expenses** - add back Private element.

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

**144 Light, Heat and Phone** - add back Private element.

**145 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**.

**146 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**.

## D - IRISH RENTAL INCOME

### Rental Income from Land and Property in the State

301 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** or **telephone + 353 1 635 0600**.