

IT 2316 - Income tax: distribution of partnership profits and losses

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INCOME TAX: DISTRIBUTION OF PARTNERSHIP PROFITS AND
LOSSES

REF H.O. REF: 86/4351-2 DATE OF EFFECT: IMMEDIATE

B.O. REF: DATE ORIG.
MEMO ISSUED: 11 JUNE 1986

REFERENCE NO:	SUBJECT REFS:	LEGISLAT. REFS:
I 1209460	PARTNERSHIPS	90
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PREAMBLE In a recent unreported decision Taxation Board of Review No.1 had to determine to what extent partners of a partnership were entitled to share profits and losses of the partnership.

3. The partners had attempted to distribute the rental property losses according to the partnership agreement but the Commissioner treated the losses as being distributable on a 50:50 basis, i.e. in accordance with their respective registered interests in the properties.

RULING 5. It is considered that the finding of the Board was open to it on the facts. The decision is seen as being consistent

with the previously stated policy that net income of a partnership should be distributed according to the basic agreement between the partners for the sharing of profits and losses (IT 2218 - paragraph 6).

6. Situations may arise, however, where it is apparent that the partnership agreement is merely a device to enable distributions to be made which are completely out of proportion to either the partners' true interests in the partnership assets or their participation in the partnership business. Such cases will continue to require assessment on their own merits.

COMMISSIONER OF TAXATION

17 June 1986

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