



**Isle of Man  
Government**

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# The Treasury *Yn Tashtey*

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## **INCOME TAX DIVISION**

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## **PRACTICE NOTE**

**PN 186/15**

**Date: 17 February 2015**

### **BUDGET 2015 - INCOME TAX AND NATIONAL INSURANCE PROPOSALS**

In his Budget speech today, the Minister for the Treasury, the Hon. Eddie Teare, MHK, announced various taxation and National Insurance measures.

This Practice Note contains further information regarding the changes.

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### **1. INCOME TAX ALLOWANCES AND RATES OF TAX**

The following rates and allowances will apply for the 2015/16 tax year commencing on 6 April 2015:-

<b>Personal allowances</b>	<b>2015/16</b>	2014/15
	<b>£</b>	£
Single person	<b>9,500</b>	9,500
Married couple/civil partner (combined)	<b>19,000</b>	19,000
Additional Personal Allowance	<b>6,400</b>	6,400
Blind person	<b>2,900</b>	2,900
Disabled person	<b>2,900</b>	2,900
Co-habiting couple's maximum addition	<b>6,400</b>	6,400
Age Allowance	<b>1,000</b>	1,000

<b>Income tax rates</b>	<b>2015/16</b>	2014/15
<b>Individuals</b>	<b>%</b>	<b>%</b>
Resident		
Single: Lower rate on first <b>£10,500</b>	<b>10</b>	10
Married couple/civil partnership - jointly assessed: Lower rate on first <b>£21,000</b>	<b>10</b>	10
Higher rate on balance	<b>20</b>	20
Non-resident:		
Non-resident rate on all income	<b>20</b>	20
<b>Companies</b>		
Banking business	<b>10</b>	10
Land & property in the Isle of Man	<b>20</b>	10
Retail business - profits above £500,000	<b>10</b>	10
All other income	<b>0</b>	0
<b>Other non-corporates</b>	<b>20</b>	20

## 2. NATIONAL INSURANCE CONTRIBUTIONS

The following rates and thresholds will apply for the 2015/16 tax year commencing on 6 April 2015:-

<b>Item</b> (per week unless stated otherwise)	<b>2015/16</b>	2014/15
Lower Earnings Limit (LEL)	<b>£112</b>	£111
Upper Accrual Point (UAP)	<b>£770</b>	£770
Upper Earnings Limit (UEL)	<b>£784</b>	£784
Primary Threshold	<b>£120</b>	£120
Secondary Threshold	<b>£117</b>	£117
Prescribed annual equivalent of primary threshold	<b>£6,240</b>	£6,240
Prescribed annual equivalent of secondary threshold	<b>£6,084</b>	£6,084
Class 1 employees' primary rate of NI (between primary threshold and UEL)	<b>11%</b>	11%
Class 1 employees' additional rate of NI (above the UEL)	<b>1%</b>	1%

Class 1 employers' rate of NI (on all earnings above secondary threshold)	<b>12.8%</b>	12.8%
Class 2 rate self-employed	<b>£5.40</b>	£2.70
Class 2 small earnings exception level (annual)	<b>£5,995</b>	£5,725
Class 2 rate for volunteer development workers	<b>£5.60</b>	£5.55
Class 2 rate for share fishermen	<b>£6.70</b>	£3.35
Class 3 voluntary contributions	<b>£14.10</b>	£13.90
Class 4 lower profits limit (annual)	<b>£6,136</b>	£6,136
Class 4 upper profits limit (annual)	<b>£40,768</b>	£40,768
Class 4 rate between the lower & upper limits	<b>8%</b>	8%
Class 4 rate above the upper limit	<b>1%</b>	1%

### 3. TAX CAP ELECTION

From the 2014/15 tax year a resident individual or jointly assessed married couple/civil partners are required to make an election in order for the Tax Cap to apply.

For existing five year Tax Cap elections the maximum income tax liability for an individual remains at £120,000 and £240,000 for a jointly assessed couple. For any elections commencing from the 2015/16 tax year the maximum income tax liability for an individual will increase to £125,000 and £250,000 for a jointly assessed couple.

### 4. TT ' HOMESTAY' CONCESSION

With effect from the 2015/16 tax year the gross amount of income before expenses which can be received free of tax under the Homestay Scheme during the TT period is increased from £1,500 to £1,800. If this limit is exceeded all the income is subject to tax.

### 5. PERSONAL ALLOWANCE CREDIT

The Personal Allowance Credit is reduced to £400 for a qualifying individual and £800 for a qualifying jointly assessed married couple or civil partners.

The payment will be made to individuals whose income for the year ended 5 April 2015 is equal to or less than £9,500 and to jointly assessed couples with income that is equal to or less than £19,000, providing the individuals and couples satisfy the conditions specified.

The conditions for this and subsequent tax years have been expanded by the requirement for the person to be at least 65 years of age at the beginning of the relevant tax year, or to have been eligible for either blind person's allowance or disabled person's allowance. For jointly assessed couples where only one partner meets the qualifying conditions a payment of £400 will be made.

### 6. COMPANIES - INCOME FROM LAND AND PROPERTY

With effect from 6 April 2015 the rate of tax on companies receiving income from land and property situated in the Isle of Man (development and rental income) is increased from 10% to 20%.

Further details can be found in PN 187/15 - Corporate Taxpayers - Income From Land And Property - Change Of The Income Tax Rate - which has also been issued today.

## **7. NATIONAL INSURANCE HOLIDAY SCHEME**

The current scheme will cease from 5 April 2015 and will be replaced by a new scheme aimed at encouraging employers to take on particular individuals. This includes those who have been unemployed for a continuous period of six months or more, those who have been assessed as capable for work following a personal capability assessment, and newly released prisoners. These individuals will be qualifying employees for the purposes of the new scheme.

If an employer engages a qualifying employee they will not be liable to pay employer NIC in respect of that employee for a period not exceeding two years.

Further details can be found in PN 188/15 - New Employer National Insurance Holiday Scheme - which has also been issued today.

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**Assessor of Income Tax**

This Practice Note is intended only as a general guide and must be read in conjunction with the appropriate legislation. It does not have any binding force and does not affect a person's right of appeal on points concerning their own liability to income tax.

Comments and suggestions for improvements of issued Practice Notes and suggestions for future Practice Notes are always welcome.