

PRACTICE NOTE

PN 206/19

Date: 19 February 2019

BUDGET 2019 - INCOME TAX AND NATIONAL INSURANCE PROPOSALS

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

This Practice Note contains further information regarding the changes.

Index	Page
1. Income Tax Allowances and Rates of Tax	1
2. National Insurance Contributions	2
3. Tax Cap Election	3
4. National Insurance Holiday Scheme	3

1. INCOME TAX ALLOWANCES AND RATES OF TAX

The following rates and allowances will apply for the 2019/20 tax year commencing on 6 April 2019:-

Personal allowances	2019/20	2018/19
	£	£
Single person	14,000	13,250
Married couple/civil partners (combined)	28,000	26,500
Additional Personal Allowance	6,400	6,400
Blind person	2,900	2,900
Disabled person	2,900	2,900
Co-habiting couple's maximum addition	6,400	6,400

Income tax rates	2019/20	2018/19
Individuals	%	%
Resident		
Single: Lower rate on first £6,500 [2018/19 - £6,500]	10	10
Married couple/civil partners - jointly assessed: Lower rate on first £13,000 [2018/19 - £13,000]	10	10
Higher rate on balance	20	20
Non-resident:		
Non-resident rate on all income	20	20
Companies		
Banking business	10	10
Land & property in the Isle of Man	20	20
Retail business - profits above £500,000	10	10
All other income	0	0
Other non-corporates	20	20

2. NATIONAL INSURANCE CONTRIBUTIONS

The following rates and thresholds will apply for the 2019/20 tax year commencing on 6 April 2019:-

Item (per week unless stated otherwise)	2019/20	2018/19
Lower Earnings Limit (LEL)	£118	£116
Upper Accrual Point (UAP)	£770	£770
Upper Earnings Limit (UEL)	£784	£784
Primary Threshold	£125	£118
Secondary Threshold	£125	£118
Prescribed annual equivalent of primary threshold	£6,500	£6,136
Prescribed annual equivalent of secondary threshold	£6,500	£6,136
Class 1 employees' primary rate of NI (between primary threshold and UEL)	11%	11%
Class 1 employees' additional rate of NI (above the UEL)	1%	1%
Class 1 employers' rate of NI (on all earnings above secondary threshold)	12.8%	12.8%

Class 2 rate self-employed	£5.40	£5.40
Class 2 small earnings exception level (annual)	£6,500	£6,136
Class 2 rate for volunteer development workers	£5.90	£5.80
Class 2 rate for share fishermen	£6.70	£6.70
Class 3 voluntary contributions	£15.00	£14.65
Class 4 lower profits limit (annual)	£6,500	£6,136
Class 4 upper profits limit (annual)	£40,768	£40,768
Class 4 rate between the lower & upper limits	8%	8%
Class 4 rate above the upper limit	1%	1%

3. TAX CAP ELECTION

For new Tax Cap elections commencing in the 2019/20 tax year, the maximum income tax liability for an individual will be increased to £175,000 and £350,000 for a jointly assessed couple.

For new Tax Cap elections commencing in the 2020/21 tax year, the maximum income tax liability for an individual will be increased to £200,000 and £400,000 for a jointly assessed couple.

For any existing five year Tax Cap elections which commenced in the 2015/16 to 2018/19 tax years, the amount charged for each year is the value of the Tax Cap applicable in the first tax year covered by the election.

4. NATIONAL INSURANCE HOLIDAY SCHEME

The scheme which will commence on 6 April 2019 is aimed at attracting new people to take up employment and residence in the Island as well as attracting students back to the Island once they have completed their studies elsewhere.

A person who meets the requirements of the scheme will be able to apply for a refund of the Class 1 National Insurance contributions they pay as an employee during the first 12 months of their employment here.

Further details can be found in PN 207/19 - National Insurance Holiday Scheme.

Nicola Guffogg
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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.