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Government

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## PRACTICE NOTE

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**PN 217/21**

**Date: 1 July 2021**

### **New Tax Registration Requirement for Partnerships and Limited Liability Companies**

#### **1 Introduction**

This Practice Note explains the new tax registration requirement for all those carrying on a business that is taxed as a partnership in the Isle of Man (including Limited Liability Companies) that came into force on 17 June 2021 as part of SD 2021/0156 Income Tax (Substance requirements) Order 2021.

The Order consists of three main provisions:

1. the introduction of a statutory requirement for partnerships to register with the Assessor;
2. the introduction of penalties for the late, or non –filing of income tax returns for partnerships and limited liability companies for the year of assessment ending 5 April 2022 and later; and
3. the extension of the economic substance requirement in Part 6A to partnerships and LLCs for accounting periods commencing on or after 1 July 2021.

The legislation for all three provisions can be found within the Income Tax Act 1970 which is can be accessed on the Attorney General’s Chambers [legislation.gov.im](http://legislation.gov.im) site.

**All partnerships or limited liability companies that were formed in or commenced business in the Isle of Man before 17 June 2021, which are not exempt from the registration requirement, are required to register by 15 September 2021. The deadline for the registration of partnerships that were formed or commenced business in the Isle of Man after 17 June 2021 is generally 90 days from the date of formation or commencement of business. Section 2 below provides more information.**

Guidance on who is taxed as a partnership in the Isle of Man as well as further information on the registration requirement and the application of penalties for late or non-filing of income tax returns is available in the Guidance Note GN59 “The Application of the Income Tax Acts to Partnerships and Limited Liability Companies” that is available on the [Guidance Notes](#) page of the Division’s website.

***Please note that Guidance Note GN59 “The Application of the Income Tax Acts to Partnerships and Limited Liability Companies” replaces PN 145/07 “The Taxation of partnerships in the Isle of Man” that was issued on 2 October 2007.***

## 2 Registration Requirement

Section 62D has been added to the Income Tax Act 1970. With effect from 17 June 2021 section 62D introduces a legal requirement for partnerships to register with the Assessor and to provide specific information as part of that registration.

Registration with the Assessor must be done within 90 days from the later of:

1. the date that the partnership was formed;
2. the date that the partnership moves its place of effective management to the Isle of Man; or
3. the date that the partnership commenced business activity in the Isle of Man.

Point 1. is relevant to Isle of Man partnerships, points 2. and 3. are relevant to partnerships that are formed outside the Isle of Man, but which have a presence in the Isle of Man.

There are transitional arrangements for partnerships and LLCs that were in operation prior to the legislation coming into force. See section 2.1.2 for details.

### 2.1.1 Types of Partnership Required to Register

The following must register with the Assessor under section 62D:

- Isle of Man General Partnerships (including those where the partners are a married couple or civil partners); and
- partnerships (of all types) and LLCs formed outside the Isle of Man.

Limited Partnerships and Limited Liability Companies formed in the Isle of Man are not required to register separately under section 62D because the Assessor is notified by the Registrar when an Isle of Man Limited Partnership and Isle of Man LLC is placed on the official register at the Isle of Man Companies Registry.

### 2.1.2 Transitional Arrangements

There is a transitional arrangement for partnerships that were formed in or commenced business activity on the Isle of Man before 17 June 2021. If they are not subject to an exemption, as outlined below, these partnerships have until 15 September 2021 to register with the Assessor.

### 2.1.3 Designated Person

Every partnership that is required to register under section 62D must also provide the details of the designated person to receive correspondence from the Assessor.

### 2.1.4 Exemptions from Registration

As explained in section 2.1.1 above, Limited Partnerships and Limited Liability Companies formed in the Isle of Man are not required to register separately under section 62D. In addition there is an exemption from registration for partnerships that are already filing partnership or LLC income tax returns with the Assessor. The applicable return forms are R1P or R7.

However, if partnership profits have previously been included on the tax returns of the partners only, the partners **must** register the partnership under section 62D by 15 September 2021.

### **2.1.5 Failure to Register**

A partnership that is required to register and does not register within the 90 days registration requirement commits an offence of which any of the partners may be found guilty.

If you are concerned that you may have missed the deadline for registration, please contact the Division as soon as possible to discuss your facts and circumstances as these will be taken into consideration.

### **2.1.6 Registration Form**

A specific form, R255, has been introduced to enable registration with the Assessor. The form is available on the [Forms page](#) of our website.

The form requires the following details:

- Partnership name and address
- Partnership type and whether it has legal personality
- Jurisdiction of formation
- Registration number
- Date for formation (IOM partnerships only)
- Date of commencement of business activity on the Isle of Man (non-IOM partnerships only)
- Accounting date
- Business activity
- Partner/Member details (including the country of tax residence and tax identification number)
- Designated person
- Profit sharing arrangements
- Nature of assets held

The information provided on the form will be used for the purposes of the administration of all aspects of the Income Tax Act 1970, the Social Security Contributions and Benefits Act 1992 and any secondary legislation enacted under those primary Acts.

**Nicola Guffogg**

**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.

### 3 Appendix - Registration Examples

#### 3.1 Existing Partnerships - Transition

##### Joe and Jeff

Joe and Jeff have been trading in general partnership as 'Partnership A' since formation in 1998.

They have registered the name under the Registration of Business Names Act and have been filing partnership income tax returns with the Assessor under section 63 Income Tax Act 1970 since 1998.

They have been subject to income tax on their share of profits, and have been declaring these on their personal income tax returns.

As the partnership has been submitting tax returns under section 63, The Partnership A **is not required to register** with the Assessor within 90 days of the new section 62D coming into force.

##### Toni and Peter

Toni and Peter have been trading in general partnership as 'Partnership B' since formation in 2010 and have registered the name under the Registration of Business Names Act.

They have been including the profits of the partnership on their personal income tax returns for all years since then. They married in 2019 and elected for joint taxation from 6 April 2020.

As the partnership has not been submitting income tax returns under section 63, The Partnership B **is required to register** with the Assessor within 90 days of the new section 62D coming into force.

Toni and Peter will be required to make a separate return of the partnership profits for the year of assessment ending 5 April 2022. They will remain subject to income tax on their share of profits and should continue to declare these on their personal returns.

If The Partnership B employs staff, the employer details will also need to be transferred to the partnership tax reference with effect from 6 April 2021 and a new online employer registration will be required.

##### IOM Branch of UK Accounts People LP

UK Accounts People LP (a UK limited partnership) opened an office in the Isle of Man in 2015 and registered with the Assessor at that time. It has been submitting income tax returns under section 63B since then.

As the partnership has been submitting tax returns under section 63, UK Accounts People LP **is not required to register** with the Assessor within 90 days of the new section 62D coming into force.

#### 3.2 New Partnerships

##### IOM New LP

IOM New LP registers as a limited partnership under Part 2 of the Partnership Act 1909 in June 2022. The Registrar notifies the Assessor of the formation of the LP at that time.

IOM New LP **is not required to register** with the Assessor within 90 days of formation, because she has already been notified by the Registrar.

##### New IOM General Partnership

Joe, Jeff, Toni and Peter form a new general partnership in July 2022 and register the partnership under the Registration of Business Names Act.

They must register the new general partnership with the Assessor under section 62D within 90 days of its formation.

### **New Off Island Limited Partnership – POEM**

Off Island LP is registered outside the Isle of Man. On 1 September 2022 its general partner GP Co Ltd becomes tax resident in the Isle of Man because its directors exercise management and control in the Isle of Man.

As a direct consequence of the general partner being managed and controlled in the Isle of Man, Off Island LP has a POEM in the Isle of Man from 1 September 2022 and **will be required to register** with the Assessor within 90 days.

### **New Off Island LLC – Business Activity Conducted in the Isle of Man**

Off Island LLC is formed outside the Isle of Man and opens an office in Douglas on 1 November 2022, from which it conducts part of its business activity.

As a direct consequence of the business activity being conducted in the Isle of Man, Off Island LLC **will be required to register with the** Assessor within 90 days of the opening of the office in Douglas.