



INCOME TAX ACT 1970

**INCOME TAX (RATES OF INCOME TAX)
(RESIDENT AND NON RESIDENT CORPORATE TAXPAYERS)
ORDER 2006**

Approved by Tynwald

12 July 2006

Coming into operation in accordance with article 1(2)

In exercise of the powers conferred on the Treasury by section 1(3B) and (3C) of the Income Tax Act 1970 (a), and of all other enabling powers, the following Order is hereby made:-

Citation and commencement

1. (1) This Order may be cited as the Income Tax (Rates of Income Tax) (Resident and Non Resident Corporate Taxpayers) Order 2006.

(2) This Order shall come into operation on the date which it is approved by Tynwald and shall have effect in respect of the income tax year commencing 6 April 2006 and subsequent years.

Interpretation

2. In this Order-

“the Act” means the Income Tax Act 1970;

“corporate taxpayer” is defined in accordance with section 120 of the Act;

“banking business” is defined in accordance with section 1 Banking Act 1998;

“income derived from land in the Island” includes income from

- (a) rents;
- (b) land development; or
- (c) mineral extraction.

“trading corporate taxpayer” means a corporate taxpayer whose business consists wholly or mainly of the carrying on of a trade or trades.

Banking Businesses

3. Subject to article 4(b), this article shall apply in respect of all corporate taxpayers that carry on banking business.
4. Such taxpayers shall pay income tax-
 - (a) in respect of every pound of taxable income derived from banking business at a rate of 10% or such other rate as may be determined by resolution of Tynwald.
 - (b) in respect of every pound of taxable income derived from reserves, other than income derived from those reserves required under the share capital and capital adequacy requirements determined within the Banking (General Practice) Regulatory Code 1999 under section 10 of the Banking Act 1998, at a rate of 0% or such other rate as may be determined by resolution of Tynwald.

Income Derived from Land within the Island

5. This article shall apply in respect of all corporate taxpayers
6. Such a taxpayer shall pay income tax in respect of every pound of taxable income derived from land within the Island at the prescribed rate of 10%.

Distributions Received from Income Chargeable at 10%

7. This article shall apply in respect of all corporate taxpayers.
8. Where a distribution of income is received which has been charged to Manx income tax at the corporate rate of 10% under articles 4 and 6 the income will be charged at a prescribed rate of 10%.

The Standard Rate

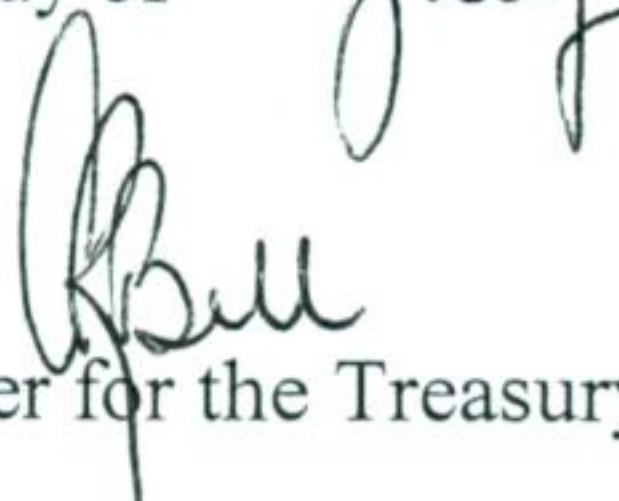
9. This article shall apply in respect of all corporate taxpayers
10. Such taxpayers shall pay income tax in respect of every pound of taxable income other than income under articles 4, 6 and 8 at the prescribed rate, "the Standard Rate", of 0% or such other rate as may be determined by resolution of Tynwald

Ability to elect to pay tax

11. Subject to articles 12, 13 and 14 a trading corporate taxpayer liable to income tax at the Standard Rate on all of its profits may elect to pay income tax at a rate of 10% on every pound of taxable income.
12. An election to pay income tax at a rate of 10% must be made in writing to the Assessor, no later than the filing date of the first return of profits against which the rate is to apply and the election shall apply for 5 years of assessment or accounting periods including and immediately following the first year or period to which the election applies.

13. Where an election is in place and before the filing date of the return of profits for the last year of assessment or accounting period to which the election relates, the corporate taxpayer may elect to pay tax at a rate of 10% for a further 5 years of assessment or accounting periods.
14. If in any year in which the election applies, the corporate taxpayer is not a trading corporate taxpayer, the election shall not apply for that and subsequent years.

Made this 12th day of July 2006


Minister for the Treasury

EXPLANATORY NOTE

(This note is not part of the Order)

This Order sets the rates of tax applicable for corporate taxpayers liable to income tax in the Isle of Man. Rates set by this order cover 10% on banking business (as defined), 10% on income from property development and rents, the standard zero rate of tax and the ability for a corporate taxpayer to elect to pay tax at 10% in place of the standard rate.