



INCOME TAX
EXTRA STATUTORY CONCESSION
TAXABLE BENEFITS

Approved by Tynwald

16th January 2013

Coming into operation

18 January 2013

The Treasury has agreed the following Concession –

1. This Concession –
 - (a) comes into operation on 18 January 2013;
 - (b) has effect in respect of sums paid by virtue of the Social Security Legislation (Benefits) (Application) (Amendment) (No. 5) Order 2011¹ and in respect of payments of those other forms of income included in paragraph 2(a) which are made on or after the coming into effect of that order; and
 - (c) ceases to have effect when the first order under a provision in an Act of Tynwald enabling Treasury to prescribe benefits or certain parts of benefits to be exempt from income tax comes into operation.

2. For the purposes of this Concession:
 - (a) “benefit” means Child Benefit, Employed Person’s Allowance and Income Support paid by the Isle of Man Department of Social Care;
 - (b) “single person’s allowance” means the amount applicable under section 35(3) of the Income Tax Act 1970;
 - (c) “jointly assessed” means that an election is in force under section 65A of the Income Tax Act 1970 for the year of assessment;
 - (d) “combined allowance” means the amount applicable under section 35(1) of the Income Tax Act 1970;

¹ SD 987/11

- (e) "couple" means two persons who are either spouses or civil partners of each other.
3. If a single person's only source of income in a year of assessment is one or more of the benefits detailed in paragraph 2(a) above, the Assessor will not pursue the income tax liability arising on that income.
 4. If a single person receives one or more of the benefits detailed in paragraph 2(a) above and also receives other income during a year of assessment and that other income amounts to less in aggregate than the single person's allowance applicable to that year of assessment, the Assessor will not pursue the income tax liability arising on the person's total income.
 5. If an individual is the spouse or civil partner of an individual whose income tax liability for the year of assessment is capped, this Concession will not apply to that person, even if paragraph 3 or paragraph 4 would otherwise have applied.

In this paragraph, "capped" –

- (a) means limited to a maximum amount specified in, or otherwise calculated in accordance with a formula or other provision contained in, an order made under section 1 of the Income Tax Act 1970; and
- (b) includes a limitation of liability where the prescribed rate in respect of relevant income is zero.

In sub-paragraph (b) –

"prescribed rate" has the same meaning as in section 1 of the 1970 Act; and
"relevant income" means taxable income which would, but for an order referred to in subparagraph (a), attract income tax in excess of an amount specified in, or otherwise calculated in accordance with a formula or other provision contained in, the order.


6. If a couple are jointly assessed in a year of assessment and their only source of income in that year of assessment is one or more of the benefits detailed in paragraph 2(a) above, the Assessor will not pursue the joint income tax liability arising on that income from either member of the couple.
7. If a couple are jointly assessed in a year of assessment and receive one or more of the benefits detailed in paragraph 2(a) above and also receive other income during the year of assessment and that other income is less in aggregate than the combined allowance applicable to that year of assessment, the Assessor will not pursue the joint income tax liability arising on the couples' total income from either member of the couple.

8. The Assessor may adjust a person's tax code to apply this Concession accordingly and to prevent overpayment of income tax through the Income Tax Instalment Payments system.
9. If any person has overpaid income tax as a result of circumstances as set out in this Concession, the Assessor may adjust their tax assessment accordingly to ensure that any overpayment is refunded.
10. This Concession is of general application, but in a particular case there may be special circumstances which will require to be taken into account in considering the application of the Concession. This Concession will be withdrawn in any case where the Assessor determines that the Concession has been or is intended to be subject to abuse.
11. This Concession revokes Extra Statutory Concession GC 14/06².

Savings provision

12. Notwithstanding paragraph 11, Extra Statutory Concession GC 14/06 will continue to apply to income from Family Income Supplement that is received after the coming into effect of the Social Security Legislation (Benefits) (Application) (Amendment) (No. 5) Order 2011.

MADE 5th December 2012


Minister for the Treasury

EXPLANATORY NOTE

(This note is not part of the Concession)

The purpose of this Concession is to ensure that a person receiving one or more of the following benefits does not have to pay tax unless they have other income which exceeds their personal allowance: Child Benefit, Employed Person's Allowance and Income Support. It replaces a similar Concession that was approved in 2006 and its introduction reflects the introduction of the Employed Person's Allowance. The Concession will not, however, apply to a person who is the spouse or civil partner of an individual whose liability to income tax has been capped.

² Income Tax Extra Statutory Concession – Taxable Benefits

In some cases it may not be possible to decide whether the Concession applies until after the end of the year of assessment, when details of income for the full year can be established. However, where a person's income is more predictable, the Concession will allow alteration of their tax code to try to avoid overpayment. Where tax has been deducted the Concession allows for adjustment of their assessment, and where appropriate, refunds to be made.

Under a savings provision, awards of Family Income Supplement that were made for a period that extended beyond the introduction of the Employed Person's Allowance will continue to be covered under the 2006 Concession (GC 14/06).