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## **PRACTICE NOTE**

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**PN 170/11**

**Date: 6 April 2011**

### **The Tax Treatment of Civil Partners**

#### **Introduction**

Following the introduction of the Civil Partnership Act 2011, this Practice Note provides guidance on the income tax treatment of civil partners for tax years commencing on or after 6 April 2011.

#### **Legislation**

Schedule 14 of the Civil Partnership Act 2011 amends various items of primary legislation in order that references to husbands, wives, spouses, widows, widowers and former spouses include references to civil partners and surviving civil partners as required. The Income Tax Acts amended by Schedule 14 are:

- the Income Tax Act 1970;
- the Income Tax (Retirement Benefit Schemes) Act 1978;
- the Income Tax Act 1980;
- the Income Tax Act 1989; and
- the Income Tax Act 2003.

In addition, clause 10 of the Income Tax Bill 2010 amends the Income Tax Act 1970 so as to ensure that all subordinate legislation under the Income Tax Acts is updated to include civil partners. The Bill is currently awaiting Royal Assent and the clause will come into operation from the day on which the Bill is enacted.

#### **Tax Treatment**

From 6 April 2011, civil partners will receive the same income tax treatment as married couples. From that date, any individual who enters into a civil partnership or any civil partners who move to the Island, will be taxed independently but will have the option to choose to be taxed jointly.

By choosing to be taxed jointly:

- any unused tax allowance can be transferred from one partner to the other;
- tax relief for any allowable deduction will be given jointly;

- forms and correspondence will be addressed to both partners;
- return forms will need to be signed by both partners, or, if submitted online, will need to be completed on behalf of both partners;
- a joint tax assessment will be made that maximises the benefit of allowances, deductions and tax rate bands.

Joint taxation may reduce the partners' combined tax liability through the shared use of their allowances and deductions but, as with a married couple, each partner will also be jointly responsible for paying any tax and other payment that may be due.

An election for joint taxation must be made no later than:

- 31 December in order to take effect for that income tax year; or
- six months following the date of commencement of residence, if later.

To opt for joint taxation both partners must complete and sign form R156(CP)<sup>1</sup>. If required, the same form can also be used to nominate one partner to receive general correspondence and refund cheques rather than correspondence being issued in both names.

In the tax year in which two individuals register as civil partners they will continue to be treated as individuals for tax purposes even if they have opted to be taxed jointly; joint treatment will commence from the start of the tax year following the registration of their partnership. However, if they choose to be taxed jointly, any unused tax allowances can be transferred from one partner to the other in the year of their civil partnership.

Civil partners who have opted to be jointly assessed can, at a later stage, choose to be independently assessed by completing form R205(CP)(JSL). This need only be completed by one partner and must be received by the Division before 5 April in order for it to apply to that income tax year. If required, the form can also be used to change the previous year's assessment basis from joint to independent.

If civil partners decide to separate, they should each complete form R113(CP)(JSL). If the partners were jointly assessed, the Division will, from the date of separation, cancel the joint treatment and each partner will then be assessed independently in the year of separation onwards. In such a situation one partner can also choose to change the basis of assessment for both partners from joint to independent for the tax year prior to the date of separation by completing form R206(CP)(JSL). This form must be received by the Division by 5 April in the year of separation in order to have effect for the income tax year prior to that in which they separated.

**M Couch**  
**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.

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<sup>1</sup> All forms mentioned in this Practice Note can be downloaded from the Division's website at [www.gov.im/incometax](http://www.gov.im/incometax) or can be obtained from the Division by phoning 685400.