
PRACTICE NOTE

PN 148/08

Date: 19 February 2008

BUDGET 2008 – INCOME TAX PROPOSALS

In his Budget speech today, the Minister for the Treasury, the Hon AR Bell MHK, announced various taxation measures.

This Practice Note contains further information regarding the changes.

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1. INCOME TAX ALLOWANCES AND RATES OF TAX

The following rates and allowances will apply for the 2008/09 tax year commencing on 6 April 2008:-

Personal allowances	2008/09	(2007/08)
	£	£
Single person	9,200	(8,850)
Married couple (combined)	18,400	(17,700)

	2008/09	(2007/08)
	£	£
Single parent addition	6,300	(6,040)
Blind person	2,850	(2,720)
Disabled person	2,850	(2,720)
Co-habiting couple's maximum addition	6,300	(6,040)
Non-resident's personal allowance	2,120	(2,040)
Age	2,000	n/a

Income tax rates

Individuals	%	%
Resident		
Single: Standard rate on first £10,500	10	(10)
Married jointly assessed: Standard rate on first £21,000	10	(10)
Higher rate on balance	18	(18)
Non-resident:		
Non-resident rate on all income	18	(18)
Companies		
Banking business	10	(10)
Land & property in the Isle of Man	10	(10)
All other income	0	(0)
Other non-corporates e.g. trusts	18	(18)

10% rate band for resident individuals	£	£
Single person	10,500	(10,500)
Married couple jointly assessed	21,000	(21,000)

Personal allowance credit (PAC) for resident individuals

Upper income point	8,850	(8,670)
Maximum credit	500	(420)

All PAC amounts are doubled for married couples who are jointly assessed.

2. CLASS 4 NATIONAL INSURANCE CONTRIBUTIONS

The rate of Class 4 National Insurance Contributions remains at 8% and is charged on profits between the lower and upper limits. The limits will be increased as follows (the previous limits are shown in brackets):-

	£	£
Lower limit	5,435	(5,225)
Upper limit	36,140	(34,840)

3. NURSING EXPENSES

The maximum deduction allowed for nursing expenses will be increased, in line with the single person's allowance, from £8,850 to £9,200. This new maximum will apply for the tax year commencing on 6 April 2008.

4. PERSONAL ALLOWANCE CREDIT

The PAC is paid to resident individuals who do not fully utilise their single or married couple's personal allowance. The amount of the credit will be increased by 19% from £420 to £500, with effect from 6 April 2008.

Changes will be made to the criteria for payment of a PAC. An abatement factor will no longer be applied. The full payment will be due when an eligible person's income is below £8,850.

All amounts and limits are doubled for jointly assessed married couples.

5. AGE ALLOWANCE

The Age Allowance is a new personal allowance which will be introduced from 6 April 2008 for all resident individuals who are aged 65 or over at the start of the tax year. The amount of the allowance will be £2,000 with a pro-rata reduction where a person has ceased or commenced residence in the Isle of Man during the tax year.

For jointly assessed married couples, the allowance will be doubled to £4,000 where both spouses are over the age of 65 at the start of the tax year. Any unutilised balance of the allowance can be transferred between spouses in the year of marriage or to the surviving spouse on death.

6. BENEFITS IN KIND

A proposal for a thoroughly updated system for the taxation of company cars and fuel provided to employees by their employers will be published in the near future, based more on environmental impact and aligned with the new simplified annual vehicle duty bands provided by the Department of Transport. In order to allow businesses to prepare for this change, the new system will become operational from 6 April 2009.

7. CHARITABLE DONATIONS

Where an individual makes qualifying charitable donations during the year they may claim relief from income tax. The maximum amount of donations that an individual may claim tax relief on will be increased by £1,000 to £7,000 per year. This new maximum will apply for the tax year commencing on 6 April 2008.

8. LIFE INSURANCE RELIEF

Relief from income tax on any life insurance premiums paid on or after 6 April 2008 will be abolished. Any premiums paid on or before 5 April 2008 will receive tax relief in the tax year in which they were paid.

9. TRAINING RELIEF

Training relief will be abolished from 6 April 2008. Relief will be granted to relevant training costs incurred on or before 5 April 2008 in the tax year in which they were paid.

10. MORTGAGE AND LOAN INTEREST RELIEF

Treasury wishes to take this opportunity to remind people that the relief for mortgage and loan interest relief will be capped at £15,000 per individual with effect from 6 April 2008.

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.