
PRACTICE NOTE

PN 97/03

Date:

Penalty And Interest Remission Scheme (P.A.I.R.S.)

The purpose of this Practice Note is to provide further details of the 'tax remission scheme' recently announced by the Treasury Minister, Right Hon. Allan Bell MHK. The Scheme, which will be similar to that which ran successfully in 1994 is a pre-cursor to a drive on non-compliance announced in the Treasury Minister's recent Budget speech.

The United Kingdom Chancellor has introduced an incentive scheme in his April Budget aimed solely at late registration for Value Added Tax purposes. The Isle of Man scheme to be called the Penalty and Interest Remission Scheme (PAIRS) is far more wide ranging covering VAT, Customs and Excise, Income Tax and National Insurance.

This Scheme will operate with immediate effect to 31st October 2003. It will provide an opportunity for clients who whether in error, by mistake or by deliberate omission have;

- failed to declare their correct income details, or
- failed to submit returns, or
- failed to notify their commencement of residence , their liability to income tax or their liability to be registered for VAT,

to regularise their VAT, Customs and Excise, Income Tax and National Insurance affairs without the fear of prosecution or the imposition of penalty and interest charges which normally apply in cases of non-compliance.

The Scheme will only apply to voluntary disclosures. Any errors, under declarations or omissions discovered by officers during the course of their duties whilst the scheme is in operation will be treated in the normal manner.

For Income Tax purposes the Scheme permits the following to be disclosed or submitted without the imposition of penalty and/or interest charges;

1. any income sources previously omitted or understated. Examples of sources commonly overlooked include:
 - speculative trading transactions in land and property
 - bank, building society or Post Office interest
 - interest from Income Bonds
 - rental income
 - income from part-time work
 - unrecorded cash sales

- land and/or other assets acquired by company directors/shareholders and sold into a company within a short period at an enhanced value
2. a belated notification of commencement of residence
 3. back year returns of income to enable the revision of default assessments other than those previously the subject of correspondence in relation to concessional revision
 4. the payment in full of outstanding Income Tax arrears If any person is unsure whether an income source has been declared or requires clarification as to whether an income source is liable to income tax they should contact this Division. A comprehensive guide containing the full details of the Scheme and relevant disclosure form is available from this Division and can also be found on the Division's website at www.gov.im/incometax . This guide also contains the names of designated specific officers who deal with disclosures and other matters dealt with under the Scheme or enquiries relating to the Scheme.

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NOTE: 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 for suggestions for improvement of issued Practice Notes and suggestions for future Practice Notes are always welcome.