



**Isle of Man**  
**Government**

*Reiltys Ellan Vannin*

# The Treasury *Yn Tashtey*

**INCOME TAX DIVISION**  
Government Office, Douglas  
Isle of Man, British Isles

IM1 3TX

Assessor  
I. Q. Kelly

Telephone: (01624) 685400  
Fax: (01624) 685351

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## **PRACTICE NOTE**

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**PN 82/00**

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### **BUDGET 2000 - INCOME TAX PROPOSALS**

In today's Budget speech, the Minister for the Treasury, the Hon R K Corkill MHK, announced various financial measures.

This Practice Note contains details relating to the following:-

1. Income tax rates, allowances and thresholds
2. Taxation of Child Benefit - Temporary Taxation Order
3. Prescribed Deductions - Educational Covenants
4. Donations to Charities.
5. Benefits in Kind - Car fuel
6. Class 4 National Insurance
7. Non-Resident Company Duty - Fees payable to the General Registry
8. Tax Exempt / International Companies
9. Other measures

**I Q Kelly**

**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.

## 1. INCOME TAX RATES AND ALLOWANCES

The Treasury Minister announced the following changes to apply with effect from the 2000/01 year of assessment commencing 6th April 2000 (bracketed figures are those applicable for 1999/2000).

<b>Personal allowances</b>	<b>£</b>	<b>£</b>
Single person	7,535	(7,350)
Married couple (combined)	15,070	(14,700)
Single parent addition	5,160	(5,035)
Blind person	2,070	(2,020)
Disabled person	2,070	(2,020)
<b>Income tax rates</b>	<b>%</b>	<b>%</b>
Standard rate	14	(15)
Tax band for trading companies	14	(15)
Higher rate	20	(20)
Non-resident rate	20	(20)
<b>Tax thresholds</b>	<b>£</b>	<b>£</b>
Single person	10,000	(9,900)
Married couple (combined)	20,000	(19,800)
Lower rate tax band for trading companies	125,000	100,000

## 2. TAXATION OF CHILD BENEFIT

The Income Tax (Child Benefit)(Temporary Taxation) Order 2000 (SD 51/00) repeals section 16A\* of the Income Tax Act 1970.

The new order has the effect of removing the exemption for any child benefit income received, therefore making it a taxable benefit with effect from 6 April 2000.

The order states that income from child benefit, either received or accrued during the year, shall be chargeable to income tax and shall be taken into account in calculating total income for that year of assessment.

\* Section 16A of the Act was originally introduced by section 58 of the Income Tax Act 1989 which made Child Benefit income exempt from Income tax.

## 3. PRESCRIBED DEDUCTIONS - EDUCATIONAL COVENANTS

The Income Tax (Deductions)(Prescribed Cases)(Amendment) Order 2000, (SD 49/00) takes effect from 6 April 2000 and amends the original Order (GC 374/89) with regard to educational covenanted payments to children or grandchildren.

The maximum amount which may be deducted in respect of each donee is increased from £4,500 to £5,000.

#### 4. DONATIONS TO CHARITIES

The Income Tax (Donations to Charities)(Amendment) Regulations 2000, (SD 48/00) take effect from 6 April 2000 and increase the maximum allowable deduction, for an individual or association, for qualifying donations made to charities from £4,500 to £5,000.

#### 5. BENEFITS IN KIND - CAR FUEL

The cash equivalent of fuel provided by reason of a person's employment for a car made available for private use has been increased. The new rates, which take effect from 6 April 2000 and are applicable for the 2000/01 year of assessment, are set out in the Income Tax (Car Fuel Benefits) Order 2000 (SD 50/00). They are as follows (bracketed figures are those applicable to 1999/2000):-

**Table A**

Cars with an internal combustion engine with one or more reciprocating pistons with an internal engine capacity as calculated for the purposes of the Licensing and Registration of Vehicles Act, 1985.

<b>CYLINDER CAPACITY</b>	<b>CASH EQUIVALENT (£)</b>	
1400 or less	920	(840)
1401 - 2000	1,160	(1,060)
More than 2000	1,720	(1,570)

**Table B**

<b>CARS WITHOUT A CYLINDER CAPACITY</b>	<b>CASH EQUIVALENT (£)</b>	
All models	1,630	(1,490)

#### 6. CLASS 4 NATIONAL INSURANCE

The rate of Class 4 National Insurance will increase from 6% to 7% with effect from the 2000/01 year of assessment. The annual limits of profits between which Class 4 contributions are paid will be changed to £4,420 and £27,820. Income tax relief at the 20% rate will continue to be given within the Class 4 assessment on the payment due.

#### 7. NON-RESIDENT COMPANY DUTY

The amount of duty which is payable under the Non-Resident Company Duty Act 1986 to the Chief Registrar is increased from £775 to £800 with effect from 1 June 2000. This duty is payable on delivery to the Registry of an annual return of a non-resident company.

**8. TAX EXEMPT COMPANIES / INTERNATIONAL COMPANIES**

Rates for 2000/2001 remain unchanged. Any increase to these rates for 2001/02 will be announced during October 2000.

**9. OTHER MATTERS**

The next step to be taken in simplifying the income tax system and making it fairer and more consistent is in relation to investment products. In particular, those which fit within the Governments overall approach of seeking to encourage individuals to save for old age or provide for some unforeseen event such as long-term illness. As a follow on from the pensions legislation, the Division will be undertaking a review of all investment products, both in terms of relief for contributions and taxation of benefits arising from them.

The Treasury Minister also announced a scheme to finance the installation (connection fees only) of either ISDN or ADSL for business or private use. The Department of Trade and Industry will finance the scheme as part of the Government's programme of encouragement for the use of new technology.

Any person requiring further information on any of the topics covered by this Practice Note should contact the Income Tax Division, Government Office, Buck's Road, Douglas, Isle of Man, IM1 3TX.

Telephone: (01624) 685400

Fax: (01624) 685351

Comments and suggestions for improvements of issued Practice Notes and suggestions for future Practice Notes are always welcome.