



INCOME TAX ACTS 1970 TO 1989

INCOME TAX (DEDUCTIONS) (PRESCRIBED CASES) ORDER 1989

In exercise of the powers conferred on the Treasury by section 31A of the Income Tax Act 1970(a), and of all other powers enabling it in that behalf, the following Order is hereby made :-

Citation and commencement

1. This Order may be cited as the Income Tax (Deductions) (Prescribed Cases) Order 1989 and, subject to section 31A(2)(a) of the Income Tax Act 1970, shall have effect in respect of the 1988/89 income tax year and subsequent years.

Deductions for payments of interest

2. (1) Subject to the provisions of this article, any interest paid on any loan shall be allowed as a deduction from total income in the year of assessment in which it is paid.

(2) The giving of credit for any money due from a purchaser under any sale shall be treated as the making of a loan to defray money applied by the purchaser in making the purchase.

(3) Where only part of a loan fulfils the conditions required under this article for interest to be eligible as a deduction such proportion of the interest shall be treated as eligible for deduction under this article as is equal to the proportion of the loan fulfilling those conditions.

(4) Where interest is paid on any loan by 2 or more

(a) Vol. XXI p. 260, section 31A inserted by section 60 of Income Tax Act 1989.

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persons, the deduction under this article shall be apportioned between them in proportion to the amount of interest paid by each of them.

(5) The Assessor shall to the best of his judgement calculate the apportionment of the the deductions under paragraphs (3) and (4).

(6) Except in the case of interest paid to the Government of the Island interest shall not be eligible as a deduction under this article if the interest is not assessable under the Income Tax Acts as income of the lender.

(7) Where interest is paid at a rate in excess of a reasonable commercial rate, so much of the interest as represents the excess shall not be eligible as a deduction under this article.

(8) Interest shall not be eligible as a deduction under this article in the case of a person who is not resident in the Island.

(9) Interest shall not be eligible as a deduction under this article if relief from tax is otherwise available to the person paying it under any provision of the Income Tax Acts.

(10) In this article -

"loan" includes mortgage;

"sale" includes credit sale and sale by hire purchase or conditional sale agreement.

Deductions for maintenance payments

3. (1) Subject to the provisions of this article, any maintenance payment made by an individual resident in the Island to a person so resident shall be allowed as a deduction

from total income in the year of assessment in which it is paid.

(2) A maintenance payment shall not be eligible as a deduction under this article if the payments are not assessable under the Income Tax Acts as income of the recipient.

(3) A maintenance payment shall not be eligible as a deduction under this article if relief from tax is otherwise available to the person making it under any provision of the Income Tax Acts.

(4) In this article -

"child of the family" means, in relation to parties to a marriage, a person under 21 years of age -

- (a) who is a child of both those parties, or
- (b) who, not being a person who has been boarded out with them by a public authority or voluntary organisation, has been treated by both of them as a child of their family;

"maintenance payment" means a periodical payment, other than an instalment of a lump sum, which -

- (a) is made under an order of a court of competent jurisdiction, or under a written agreement the proper law of which is the law of the Island; and
- (b) is made by one of the parties to a marriage (including one which has been dissolved or annulled) either -
 - (i) to or for the benefit of the other

party and for the maintenance of the other party; or

(ii) to or for the benefit of a child of the family for the benefit, maintenance or education of that child; and

(c) is made at a time when the two parties are not living together within the meaning of section 64(2) of the Income Tax Act 1970.

Covenanted payments to charities

4. (1) Subject to the provisions of this article, any covenanted payment to a charity by an individual shall be allowed as a deduction from total income in the year of assessment in which it is paid.

(2) A covenanted payment to charity shall not be eligible as a deduction under this article if relief from tax is available to the person making the payment under any provision of the Income Tax Acts.

(3) In this article -

"charity" has the meaning given by section 61D(4) of the Income Tax Act 1970;

"covenanted payment to charity" means a payment made under an irrevocable covenant made otherwise than for consideration in money or money's worth in favour of a charity whereby the like annual payments (of which the payment in question is one) become payable for a period which exceeds 3 years.

Covenanted payments for children and grandchildren

5. (1) Subject to the provisions of this article, any covenanted educational payment made by an individual ("the donor") for the benefit of a person of or over the age of 18 years but below the age of 25 years ("the donee") shall be allowed as a deduction from total income in the year of assessment in which it is paid.

(2) The maximum amount which may be deducted under this article is £3,000 in respect of each donee.

(3) Where there are 2 or more donors and the aggregate of the covenanted educational payments exceeds the maximum amount specified in paragraph (2), the deduction shall be apportioned between the donors in such proportion as they agree, or, in default of agreement, in proportion to the covenanted educational payments made by them.

(4) A covenanted educational payment is eligible for relief under this article only if -

(a) it is made by either -

(i) a parent of the donee; or

(ii) a grand parent of the donee; and

(b) the donee was within the qualifying age band when -

(i) the covenant was entered into; and

(ii) the covenanted educational payment was made.

(5) In this article -

"course of higher education" means a full time course

of one of the following descriptions -

- (a) a first degree course;
- (b) a post-graduate course (including a higher degree course);
- (c) a course for the Diploma of Higher Education;
- (d) a course for the certificate of education;
- (e) a course for the further training of teachers or youth and community workers;
- (f) a course in preparation for a professional examination at higher level;
- (g) a course for the Higher National Diploma or Higher National Certificate of the Business and Technical Education Council, or the Diploma in Management Studies;
- (h) a course providing education at a higher level (whether or not in preparation for an examination);

"covenanted educational payment" means a payment made to or for the benefit of the donee under an irrevocable covenant made otherwise than for a consideration in money or money's worth while the donee is undertaking a course of higher education whereby the like annual payments (of which the payment in question is one) become payable for a period which exceeds 3 years.

Made this 19th day of *July* 1989

David Cannan.
~~Treasury Minister~~

This Order was approved by Tynwald on 18th October, 1989

E X P L A N A T O R Y N O T E
(This Note is not part of the Order)

This Order is made under section 31A of the Income Tax Act 1970. It has the effect of prescribing the cases in which certain deductions are allowable in calculating tax liability.

The allowable deductions are -

- (a) interest payable in respect of loans (e.g. bank interest, mortgage interest and H.P. interest);
- (b) amounts paid under formal maintenance payment arrangements in respect of spouse, former spouse and children;
- (c) the amount of payments to charities under a covenant valid for not less than 3 years;
- (d) the amounts of payments for the benefit of children and grand children undergoing courses of higher education.