



## INCOME TAX ACT 1970

### INCOME TAX (RESIDENT INDIVIDUALS) (INCOME TAX CAP) (TEMPORARY TAXATION) ORDER 2014

*Approved by Tynwald  
Coming into operation*

*18 February 2014  
21 February 2014*

The Treasury makes the following Order under section 115A of the Income Tax Act 1970.

#### **1 Title**

This Order is the Income Tax (Resident Individuals) (Income Tax Cap) (Temporary Taxation) Order 2014.

#### **2 Commencement**

If approved by Tynwald, this Order comes into operation on 21 February 2014.<sup>1</sup>

#### **3 Amendment of the Income Tax Act 1970**

(1) The Income Tax Act 1970 is amended as follows.

(2) After section 2 insert –

##### **“2ZA Election for income tax cap to be applied**

(1) An election may be made by an individual resident in the Isle of Man for income tax purposes.

(2) An election must be made in writing to the Assessor in such form, and including such information, as the Assessor may specify.

(3) The Assessor may approve an election if satisfied that the

---

<sup>1</sup> Tynwald approval is required by section 115A(2) of the Income Tax Act 1970.

individual's income in each year of assessment to which the election applies will be such that the amount of tax otherwise payable would be greater than the income tax cap amount.

- (4) If the Assessor approves an election it remains in force for five consecutive years of assessment, subject to subsection (7).
- (5) An election received on or before 5 April, if approved, applies for the year of assessment commencing on the following 6 April and for the four years of assessment immediately following.
- (6) An individual who commences residence in the Island during a year of assessment may make an election for that part year of assessment and the four years immediately following if the election is made within 60 days of commencing residence in the Island.
- (7) At the absolute discretion of the Assessor, an election may in exceptional circumstances –
  - (a) be revoked before the end of the five year period for which it applies on the application of the individual to whom it applies; or
  - (b) be approved late.
- (8) An application under subsection (7)(a) must be in the form and manner required by the Assessor.
- (9) The approval of an election under subsection (3) or (7)(b) does not affect the requirement of an individual to make and deliver an annual return in accordance with section 62 or any other requirements to which they are subject under the provisions of the Income Tax Acts.

## **2ZB Income tax cap**

- (1) Despite section 1(2), if an election is approved under section 2ZA(3) or 2ZA(7)(b), the amount of income tax payable in each year to which that election applies shall be the income tax cap amount. The income tax cap amount for the year of assessment commencing 6 April 2014 and subsequent years will be –
  - (a) £120,000 in the case of an individual; or
  - (b) £240,000 in the case of a jointly assessed married couple or civil partners.

- (2) The income tax cap amount for each of the five years of an approved election is the amount specified for the first year of assessment to which the election applies, but subject to –
  - (a) section 50F(1) of this Act;
  - (b) section 11A(5) of the Income Tax (Retirement Benefit Schemes) Act 1978; and
  - (c) section 25(5) of the Income Tax Act 1989.
- (3) The Treasury may, by order, specify the income tax cap amount.
- (4) An order under subsection (3) shall not come into operation unless it is approved by Tynwald.

#### **2ZC Payment of the income tax cap amount**

- (1) The income tax cap amount for each of the five years of an election shall be due and payable on 6 January in each year of assessment to which the election applies.
- (2) Section 111A of this Act shall apply to the payment of the income tax cap amount in the same manner as it applies for section 96B of the Act.
- (3) The Assessor may allow an income tax cap amount to be paid by deduction from remuneration, as defined by section 2C(2), in accordance with the Income Tax (Instalment Payments) Act 1974 rather than on 6 January in a year of assessment to which the election applies.

#### **2ZD Interpretation of section 2ZA**

For the purposes of section 2ZA “individual” includes two persons who are treated as a single individual in accordance with section 65A(3).”.

### **4 Consequential amendments**

- (1) For clarity, the amendments made by this article are subject to article 5(2).
- (2) For section 50F(1) of the Income Tax Act 1970 substitute –
  - “(1) If an individual has made an election that has been approved under section 2ZA(3) or 2ZA(7)(b) and is in force and that individual also receives an unauthorised payment under section 50D(1), the income tax cap amount applicable to the election shall be increased by a

sum equal to 20% of the unauthorised payment in the year of assessment in which the payment is received.”.

- (3) For section 11A(5) of the Income Tax (Retirement Benefit Schemes) Act 1978 substitute –

“(5) If an individual has made an election that has been approved under section 2ZA(3) or 2ZA(7)(b) of the Income Tax Act 1970 and is in force and that individual also receives a payment to which subsection (1) applies, the income tax cap amount applicable to the election shall be increased by a sum equal to 20% of the payment in the year of assessment in which the payment is received.”.

- (4) For section 25(5) of the Income Tax Act 1989 substitute –

“(5) If an individual has made an election that has been approved under section 2ZA(3) or 2ZA(7)(b) of the Income Tax Act 1970 and is in force and that individual also receives a payment to which subsection (2) applies, the income tax cap amount applicable to the election shall be increased by a sum equal to 20% of the payment in the year of assessment in which the payment is received.”.

## **5 Revocation, savings and anti-avoidance provisions**

- (1) The Income Tax (Rates of Income Tax) (Resident Individuals) (Capping) Order 2012<sup>2</sup> is revoked.
- (2) Despite paragraph (1) the Order shall continue to apply for the purposes of assessing income tax in respect of the income tax year ending 5 April 2014.
- (3) In the income tax year commencing 6 April 2014 an election may be made and approved if the election is made by 30 June 2014.
- (4) If it appears to the Assessor that –
- (a) prior to 1 February 2014 in the income tax year ending 5 April 2014 an individual has not received income which would be relevant income for the purposes of the Order in paragraph (1);
  - (b) the individual does not make an election which is approved under article 3 for the income tax year commencing 6 April 2014 and the four years of assessment immediately following; and
  - (c) the individual receives income on or after 1 February 2014 that

---

<sup>2</sup> SD 47/12

would be relevant income for the purposes of the Order in paragraph (1);

the Assessor may determine that the income in subparagraph (c) is not relevant income.

- (5) If an individual receives income prior to 1 February 2014 that would be relevant income for the purposes of the Order in paragraph (1), the individual must satisfy the Assessor that the income which he claims to have been paid prior to 1 February 2014 has actually been paid prior to that date.
- (6) For the purposes of this article “individual” includes two persons who are treated as a single individual in accordance with section 65A(3).

MADE 21<sup>st</sup> January 2014

**W E TEARE**  
Minister for the Treasury

---

**EXPLANATORY NOTE**  
*(This note is not part of the Order)*

This Order is made under section 115A of the Income Tax Act 1970. It provides that an individual or jointly assessed married couple or civil partners who are resident for Manx income tax purposes can elect to pay an amount of income tax known as the income tax cap amount in each year of assessment to which the election applies. If the election is approved by the Assessor it will apply for five consecutive years of assessment starting from the year of assessment next following the year in which the election is made, except in exceptional circumstances. The income tax cap amount can be set by order of the Treasury.