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PRACTICE NOTE

PN 190/16 **Date: 16 February 2016**

BUDGET 2016 - INCOME TAX AND NATIONAL INSURANCE PROPOSALS

In his Budget speech today, the Minister for the Treasury, the Hon. Eddie Teare, MHK, announced various taxation and National Insurance measures.

This Practice Note contains further information regarding the changes.

1. INCOME TAX ALLOWANCES AND RATES OF TAX

The following rates and allowances will apply for the 2016/17 tax year commencing on 6 April 2016:-

Personal allowances	**2016/17**	2015/16
	£	£
Single person	**10,500**	9,500
Married couple/civil partners (combined)	**21,000**	19,000
Additional Personal Allowance	**6,400**	6,400
Blind person	**2,900**	2,900
Disabled person	**2,900**	2,900
Co-habiting couple’s maximum addition	**6,400**	6,400
Age Allowance	**1,000**	1,000

Income tax rates	**2016/17**	2015/16
Individuals	**%**	%
Resident		
Single: Lower rate on first **£8,500** [2015/16 - £10,500]	**10**	10
Married couple/civil partners - jointly assessed: Lower rate on first **£17,000** [2015/16 - £21,000]	**10**	10
Higher rate on balance	**20**	20
Non-resident:		
Non-resident rate on all income	**20**	20
Companies		
Banking business	**10**	10
Land & property in the Isle of Man	**20**	20
Retail business - profits above £500,000	**10**	10
All other income	**0**	0
Other non-corporates	**20**	20

2. NATIONAL INSURANCE CONTRIBUTIONS

The following rates and thresholds will apply for the 2016/17 tax year commencing on 6 April 2016:-

Item (per week unless stated otherwise)	**2016/17**	2015/16
Lower Earnings Limit (LEL)	**£112**	£112
Upper Accrual Point (UAP)	**£770**	£770
Upper Earnings Limit (UEL)	**£784**	£784
Primary Threshold	**£118**	£120
Secondary Threshold	**£118**	£117
Prescribed annual equivalent of primary threshold	**£6,136**	£6,240
Prescribed annual equivalent of secondary threshold	**£6,136**	£6,084
Class 1 employees' primary rate of NI (between primary threshold and UEL)	**11%**	11%
Class 1 employees' additional rate of NI (above the UEL)	**1%**	1%
Class 1 employers' rate of NI (on all earnings above secondary threshold)	**12.8%**	12.8%

Class 2 rate self-employed	**£5.40**	£5.40
Class 2 small earnings exception level (annual)	**£6,136**	£5,995
Class 2 rate for volunteer development workers	**£5.60**	£5.60
Class 2 rate for share fishermen	**£6.70**	£6.70
Class 3 voluntary contributions	**£14.10**	£14.10
Class 4 lower profits limit (annual)	**£6,136**	£6,136
Class 4 upper profits limit (annual)	**£40,768**	£40,768
Class 4 rate between the lower & upper limits	**8%**	8%
Class 4 rate above the upper limit	**1%**	1%

3. RELOCATION EXPENSES

From the tax year commencing 6 April 2016, the relocation expenses that can be paid by an employer when an employee moves to the Island to take up full-time employment, and which will not be taxed, are increased to £20,000.

Further details can be found in PN 193/16 – Relocation Expenses - Benefit in Kind Exemption.

4. PENSIONS

The trivial commutation lump sum limit for any pension scheme or arrangement approved by the Assessor is increased to £50,000 and the age at which it can be taken is reduced to 55. The level of fund remnant that can be paid as a lump sum also increases to £50,000.

Further details can be found in PN 191/16 - Changes to Lump Sum Payments from Approved Pension Schemes.

5. LAND DEVELOPMENT TAX HOLIDAY

A land development tax holiday is introduced for qualifying land developments that are carried out in the interests of the economy of the Island. The holiday provides an exemption from income tax for any relevant income or profits of a company for up to five years. Relevant income or profits are the profit made on any new commercial development, or improvement to an existing commercial development, and/or rental income received on a new commercial development, or improvement to an existing commercial development. In both cases, the commercial development should provide additional productive employment in the Island. The holiday will commence in respect of new commercial property development or improvement where income commences after Budget day.

Further details can be found in PN 192/16 - Land Development Tax Holiday.

6. PENALTY FOR AVOIDANCE

The Assessor has the power to raise an assessment under Schedule 1 of the Income Tax Act 1980 in cases where it is believed that a person is trying to avoid liability to income tax. Currently, there is no penalty for such avoidance, the taxpayer only being required to pay the tax due. However, from 6 April 2016, the Assessor will be able to impose a penalty of 60% of the tax charged in a

Schedule 1 assessment raised for tax years or accounting periods commencing on or after 6 April 2016. The purpose of the measure is both to act as a deterrent for such behaviour and to penalise those who engage in avoidance. The tax charged in an assessment raised under Schedule 1 will also carry interest.

Nicola Guffogg

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.