



10 September 2014

**PROPOSED INTRODUCTION
OF COMPULSORY ONLINE
FILING OF
COMPANY TAX RETURNS**

A Response Document

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INTRODUCTION OF COMPULSORY ONLINE FILING OF COMPANY TAX RETURNS

Response Document

1 Introduction

In May 2014 the Income Tax Division issued a proposal document, "Introduction of Compulsory Online Filing of Company Tax Returns", which set out details of the proposal and sought views and comments on it.

Only five responses (and one query) were received. This document provides a summary of the comments received and the Treasury's response.

Treasury wishes to thank those who took part in the consultation.

2 Responses

In the very small number of responses received the areas of concern fell into the following categories:-

- the security of the online system;
- the ability of the online system to cope adequately with complex cases;
- the inconvenience/cost of online filing;
- computer access; and
- lack of computer knowledge.

A full summary of the responses received can be found in Annex 1.

Treasury Response:

The security of the online system

Treasury has a high level of confidence in the security of online services and it is a matter which is treated with great priority and care. A multi-layer approach to security has been adopted to ensure the highest level of protection to our users, our data and our systems.

These include:

- Secure Login

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This consists of a username, a strong password, a secondary set of security details and an account lock-out policy. The login security is further supplemented by a time-out feature.

- **Secure Systems**

Any page of the online services which contains sensitive information is protected by a technology known as SSL (Secure Sockets Layer) which encrypts the data sent to Isle of Man Government via the internet. Government Technology Services (GTS) continually monitor security measures and update and enhance them as necessary.

- **Secure Infrastructure**

The infrastructure that hosts online services has been designed with security as its greatest concern. GTS use firewall protection as a very effective high security barrier around Government systems and data. This detects any attempts at unauthorised entry and raises alerts accordingly.

The ability of the online system to cope adequately with complex cases

As over 50% of company returns are already filed online, it has already been established that the current online system is able to cope with the submission of complex returns. However, as a consequence of the consultation, a number of improvements to the system have been identified which will be made before compulsory online filing is introduced.

The inconvenience/cost of online filing

Whilst some of the five respondents were concerned about inconvenience and cost, the existing take up of the service indicates that many others find it to be an efficient system. The main reason for the introduction of online filing was the importance of keeping the cost of filing and administration of a company return to a minimum.

Computer access

The proposal document recognised the need to provide an exemption from online filing for any company or agent that satisfies the Assessor that they cannot access the internet.

Lack of computer knowledge

Assistance will be available from the Income Tax Division for any company or agent who has difficulty completing an online return form.

3 Additional Consultation

Given the small number of responses that the consultation attracted, anybody with an interest or with concerns about the system was invited, via representatives of the local relevant professional bodies, into the Income Tax Division in order to give them an opportunity to express their views regarding the existing online return for companies and the proposal to make its use compulsory. This group included a cross section of users, some of whom use the online return facility and some who do not.

Officers of the Division met with this group to take them through many aspects of the online return, addressing any difficulties and gathering ideas for improvements. Overall, the group's response was resoundingly positive and accepting of the benefits which ensue from compulsory online filing. The Assessor has agreed to make some enhancements to the existing online return in response to some of the suggestions.

4 Conclusion

Having given full and detailed consideration to the results of the consultation Treasury considers that there are no significant barriers to the introduction of compulsory online filing of company tax returns.

It is particularly important that the cost of filing and administration of a company return should be kept to a minimum given that the majority of companies do not pay income tax. Therefore, the compulsory regime will be introduced for companies with accounting periods ending on or after 5 April 2015.

Compulsory on-line filing will only apply to companies. The following corporate taxpayers will be exempted:

- associations (including Investment, Members, and Sports & Social Clubs);
- foundations;
- charities;
- companies in liquidation, receivership or administration;
- limited liability companies;
- protected cell companies.

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A company or agent may also be exempt from filing online if they satisfy the Assessor that they cannot access the internet. In addition, any company or agent may apply for exemption, which may be granted by the Assessor if reasonable grounds for the exemption are provided.

Whilst the introduction of compulsory online filing of company tax returns will include appropriate sanctions for non-compliance, Treasury appreciates that, initially, companies or their appointed agents may have some difficulties adjusting to a new way of submitting their return. Assistance will therefore be available from the Division for any company or agent upon request. The Treasury believes that the use of this more efficient, secure system of submitting returns will provide an easier, cost saving, efficient service which will enhance the quality of service for companies and their agents while assisting with the efficient collection of relevant information and revenue by the Division.

Annex 1*Changes to the current company online tax return and the submission process*

Comments received:

- I totally disagree with this requirement. It can so easily be abused and for the more elderly company director or shareholder could be very easily outside of their experience.
- I can think of a number of other reasons but at the end of the day they all amount to the same thing. This is a very bad request.
- I have had in the past had trouble completing the online return form with mixed income Companies i.e. Trading/Rental or Investment/Rental and the allocation of non-taxable and taxable expenses where applicable.
- I would like to register my objections to compulsory on-line filing of company annual returns. This would cause me great inconvenience. I always file my returns, completed in handwriting, at the office along with my cheque. Then I know for sure the return has gone in.
- I don't trust computers, not a day goes by without some new outbreak of viruses being reported in the press. I have a computer and internet connection but would not dream of using it for banking or keeping my accounts.
- Keeping accounts on computer may be fine for the likes of Tesco but not for me.
- There must be many people who run their Ltd. company solely as an investment holding company with very little bookkeeping and I imagine many of them would find it more convenient to file their returns on paper.

Timetable for introduction

Comments received:

- 5 April 2015 at the earliest.

Exemptions

Comments received:

- What happens if the tax payer does not have access to a computer?
- It has been my experience that existing online tax returns for companies fail to cope with the complexities and individual complexities arising and do not offer a degree of

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flexibility that manual tax returns provide. I trust there will be some leeway if compulsory online filing is brought in that a degree of flexibility is retained.

- I cannot see what the problem is in letting the, probably few, people who wish to file paper returns to continue to do so. If there are a large number who file paper returns, then there is a great need for this service and it should therefore not be discontinued.
- In such cases where the format of the computerised return may not necessarily fit more complicated tax calculations and will bar submission in certain cases. What will be the protocol if the Tax Return cannot be submitted due to the complexity of a company's tax affairs? In the past we have obviously been able to submit a manual tax return referring the covering accounts, tax computation and covering letter. Obviously you will have covered most eventualities with a computerised tax return but the advantage of a manual tax return is that submission will not be prevented should an intricacy arise.
- I prepare returns and accounts for a small investment company but consider myself totally illiterate on the sending of documents from my computer. Being in my seventies I am unlikely to learn now. If this is made compulsory I would have to employ professional advisors to submit the tax return, probably at great expense. I do hope the Assessor will treat people such as myself with consideration and allow them to continue with the current system.

Additional issues

Comments received:

- The system is slow to use, can it be sped up?
- Could there be some 'white space' like there is on the individual return to add additional comments rather than having to attach a letter/memo to the RF?
- Losses – could there be more help text on how losses work if you want to offset against other sources?