

## PRACTICE NOTE

**PN 222/24**

**Date: 20 February 2024**

### BUDGET 2024 - INCOME TAX AND NATIONAL INSURANCE PROPOSALS

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

This Practice Note contains further information regarding the changes.

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## 1. INCOME TAX ALLOWANCES AND RATES OF TAX

The following rates and allowances will apply for the 2024/25 tax year commencing on 6 April 2024:-

<b>Personal allowances</b>	<b>2024/2025</b>	<b>2023/24</b>
	<b>£</b>	<b>£</b>
Single person	<b>14,500<sup>1</sup></b>	14,500 <sup>1</sup>
Married couple/civil partners (combined)	<b>29,000<sup>1</sup></b>	29,000 <sup>1</sup>
Additional Personal Allowance	<b>6,400</b>	6,400
Blind person	<b>2,900</b>	2,900
Disabled person	<b>2,900</b>	2,900
Co-habiting couple's maximum addition	<b>6,400</b>	6,400

<sup>1</sup> Personal Allowance will be reduced by £1 for every £2 of income over £100,000 (over £200,000 for married couple/civil partners). Total income of £129,000 or above (£258,000 for married couple/civil partners) will not get a personal allowance

<b>Income tax rates</b>	<b>2024/2025</b>	2023/2024
<b>Individuals</b>	<b>%</b>	<b>%</b>
Resident		
Single: Lower rate on first <b>£6,500</b>	<b>10</b>	10
Married couple/civil partners - jointly assessed: Lower rate on first <b>£13,000</b>	<b>10</b>	10
Higher rate on balance	<b>22</b>	20
Non-resident:		
Non-resident rate on all income	<b>22</b>	20
<b>Companies</b>		
Banking business	<b>10/15<sup>2</sup></b>	10
Land & property in the Isle of Man	<b>20</b>	20
Retail business - profits above £500,000	<b>10/15<sup>2</sup></b>	10
Petroleum extraction	<b>20</b>	0
All other income	<b>0</b>	0
<b>Other non-corporates</b>	<b>22</b>	20

## 2. NATIONAL INSURANCE CONTRIBUTIONS

The following rates and thresholds will apply for the 2024/25 tax year commencing on 6 April 2024:-

<b>Item</b> (per week unless stated otherwise)	<b>2024/25</b>	2023/24
Lower Earnings Limit (LEL)	<b>£123</b>	£123
Upper Accrual Point (UAP)	<b>N/A</b>	N/A
Upper Earnings Limit (UEL)	<b>£938</b>	£864
Primary Threshold	<b>£160</b>	£145
Secondary Threshold	<b>£160</b>	£145
Prescribed annual equivalent of primary threshold	<b>£8,320</b>	£7,540
Prescribed annual equivalent of secondary threshold	<b>£8,320</b>	£7,540
Class 1 employees' primary rate of NI (between primary threshold and UEL)	<b>11%</b>	11%

<sup>2</sup> 15% rate only applicable where the corporate taxpayer has, within the meaning of the OECD's Global Anti-Base Erosion Model Rules, an ultimate parent entity or intermediate parent entity located in a jurisdiction that has implemented an IIR for fiscal years commencing on or after a date that is no later than 1 January 2024.

Class 1 employees' additional rate of NI (above the UEL)	<b>1%</b>	1%
Class 1 employers' rate of NI (on all earnings above secondary threshold)	<b>12.8%</b>	12.8%
Class 2 rate self-employed	<b>£6.20</b>	£5.70
Class 2 small earnings exception level (annual)	<b>£8,320</b>	£7,540
Class 2 rate for volunteer development workers	<b>£6.15</b>	£6.15
Class 2 rate for share fishermen	<b>£7.60</b>	£7.00
Class 3 voluntary contributions	<b>£18.95</b>	£17.45
Class 4 lower profits limit (annual)	<b>£8,320</b>	£7,540
Class 4 upper profits limit (annual)	<b>£48,776</b>	£44,928
Class 4 rate between the lower & upper limits	<b>8%</b>	8%
Class 4 rate above the upper limit	<b>1%</b>	1%

### 3. BANKING BUSINESS AND RETAIL BUSINESS ON THE ISLE OF MAN

Treasury has today introduced, as a temporary measure for the 2024/25 year of assessment only, a new 15% rate of tax on income of certain corporate taxpayers from banking business or retail business in the Isle of Man.

This change is being introduced ahead of the Island's anticipated introduction from 2025 of a domestic minimum tax that will provide for a 15% effective tax rate for large in-scope multinational enterprises (i.e. for those businesses that are part of large groups that will in-scope of the OECD's Pillar Two Global Minimum Tax).

Corporate taxpayers that carry on banking business are currently subject to tax at the 10% rate in respect of taxable income from banking business and 0% in respect of other income, as set out in the Income Tax (Rates of Income Tax) (Resident and Non Resident Corporate Taxpayers) Order 2006 and Practice Note 124/06.

Corporate taxpayers that carry on retail business are currently subject to tax at either a 10% rate or 0% rate in respect of taxable income from that business, as set out in the Income Tax (Rates of Income Tax) (Resident and Non Resident Corporate Taxpayers) Order 2013 and Practice Note 181/13.

For the 2024/25 year of assessment only, the above 10% tax rates are increased to 15% in situations where, within the meaning of the OECD's Model Rules on Pillar Two Global Minimum Tax, the bank or retailer:

- is part of an MNE group that has annual revenue of €750m or more in at least 2 of the 4 fiscal years immediately preceding the tested year;
- an ultimate parent entity or intermediate parent entity of the bank or retailer is located in a jurisdiction that has implemented an income inclusion rule (IIR) for fiscal years commencing on or after a date that is no later than 1 January 2024; and

- the accounting period of the corporate taxpayer commences on or after 31 December 2023.

The 0% rate that currently applies to certain income from banking business, and applies to retailers that are not subject to the 10% rate, is not impacted by this change.

For banks and retailers that are not part of groups that are in-scope of Pillar 2 from 2024, or that do not have an immediate or ultimate parent entity located in a jurisdiction that has implemented an IIR as explained above, the existing 10% (and 0%) rates of tax will continue to apply.

Further detail in relation to the OECD's Pillar Two can be found [here](#).

#### **4. PETROLEUM EXTRACTION**

Treasury has today introduced a new 20% rate of tax on income of corporate taxpayers from petroleum extraction activities or rights. This 20% rate will apply from 6 April 2024.

A definition of petroleum has been inserted into section 120 of the Income Tax Act 1970 (the Act), by way of incorporating the definition from the Petroleum Act 1986. This definition of petroleum includes natural gas.

Definitions of petroleum extraction activities and petroleum extraction rights have also been incorporated into the Act.

Amendments have been made to the Act which require that for the purposes of computing income from petroleum extraction activities or rights, transactions with connected persons must be computed on an arm's length basis.

A further amendment has been made to the Act which provides that, for the purposes of computing income from petroleum extraction activities or rights, certain sums will be considered to be income (regardless of whether such sums might otherwise be regarded as being of an income nature). This provision applies to sums received that are directly or indirectly related to the disposal, in whole or in part, of –

- petroleum extraction rights; or
- an interest in any economic benefits that derive from such rights.

#### **5. NATIONAL INSURANCE HOLIDAY SCHEME**

The scheme, which commenced on 6 April 2019 and is aimed at attracting new people to take up employment and residence in the Island as well as attracting students back to the Island once they have completed their studies elsewhere, will continue for a further year.

A person who meets the requirements of the scheme will be able to apply for a refund of the Class 1 National Insurance contributions they pay as an employee during the relevant 12 months of their employment on the Island.

Details of the Scheme can be found in the updated PN 207/19 – National Insurance Holiday Scheme.

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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.