

Statutory Document No. 2024/0067



Income Tax Act 1970

INCOME TAX (MISCELLANEOUS AMENDMENTS) (TEMPORARY TAXATION) ORDER 2024

Approved by Tynwald: 20 February 2024

Coming into Operation in accordance with article 2

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

1 Title

This Order is the Income Tax (Miscellaneous Amendments) (Temporary Taxation) Order 2024.

2 Commencement and effect

If approved by Tynwald¹, this Order comes into operation on 6 April 2024 and shall have effect in respect of the income tax year commencing 6 April 2024 and all subsequent years.

3 Amendment of the Income Tax Act 1970

- (1) The Income Tax Act 1970 is amended as follows.
- (2) In section 2(1) (income on which tax is payable) —
 - (a) in each of paragraphs (a) and (b), after “trade,”, insert “office, ”;
 - and
 - (b) in paragraph (g), after “income”, in the second place it occurs, insert “(other than income derived from any office or employment carried on outside the Isle of Man) ”.
- (3) In section 50E(1) (supplementary charge on unauthorised payments) for “of 20% of the unauthorised payment’s value.”, substitute —

“determined using the formula —

$$P \times R$$

where —

“P” is the value of the unauthorised payment; and

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

“R” is —

- (a) in respect of a member who is resident in the Island, the percentage equal to the prescribed rate of income tax for the purposes of section 1(2)(b) in the year of assessment in which the unauthorised payment is made; or
- (b) in respect of a member who is not resident in the Island, the percentage equal to the prescribed rate of income tax for the purposes of section 1(3) in the year of assessment in which the unauthorised payment is made. **22**.

- (4) In section 50F(1) (administration) for “by a sum equal to 20% of the unauthorised payment in the year of assessment in which the payment is received.”, substitute —

23 in the year of assessment in which the payment is received by a sum determined using the formula —

$P \times R$

where —

“P” is the amount of the unauthorised payment; and

“R” is the percentage equal to the prescribed rate of income tax for the purposes of section 1(2)(b) in the year of assessment in which the unauthorised payment is received. **22**.

- (5) In section 61Q(7) (charge to tax: unauthorised payments) for “by a sum equal to 20% of the payment in the year of assessment in which the payment is received.”, substitute —

24 in the year of assessment in which the payment is received by a sum determined using the formula —

$P \times R$

where —

“P” is the amount of the payment; and

“R” is the percentage equal to the prescribed rate of income tax for the purposes of section 1(2)(b) in the year of assessment in which the payment is received. **22**.

- (6) In section 61R(1) (supplementary charge on unauthorised payments) for “of 20% of the value of the unauthorised payment.”, substitute —

25 determined using the formula —

$P \times R$

where —

“P” is the value of the unauthorised payment; and

“R” is —

- (a) in respect of a member who is resident in the Island, the percentage equal to the prescribed rate of income tax for the purposes of section 1(2)(b) in the year of assessment in which the unauthorised payment is made; or
- (b) in respect of a member who is not resident in the Island, the percentage equal to the prescribed rate of income tax for the purposes of section 1(3) in the year of assessment in which the unauthorised payment is made. **22**.

(7) After section 119B (territorial sea) insert —

22 119BA Income from petroleum extraction activities or rights

(1) For the purposes of computing income from petroleum extraction activities or rights —

- (a) any transaction by a person with a connected person must be computed on an arm's length basis; and
- (b) any sums received by a person that are directly or indirectly related to the disposal (in whole or in part) of —
 - (i) petroleum extraction rights; or
 - (ii) an interest in any economic benefits that derive from such rights,shall be treated as income from petroleum extraction activities or rights.

(2) In this section —

“connected person” is construed in accordance with section 119C;

“petroleum extraction activities” means —

- (a) activities of a person in searching for petroleum in the Isle of Man and the territorial sea adjacent to it or causing such searching to be carried out for it; or
- (b) activities of a person in extracting, or causing to be extracted for it, petroleum in the Isle of Man and the territorial sea adjacent to it under rights which authorise the extraction and which are held by that person, or a connected person.

“petroleum extraction rights” means —

- (a) rights to petroleum to be extracted at any place in the Isle of Man and the territorial sea adjacent to it; or
- (b) rights to interests in or the benefit of such petroleum. **22**.

(8) In section 120(1) (definitions), —

(a) after the definition of “person” insert —

22 “petroleum” has the meaning given in section 9 of the *Petroleum Act 1986*; **22**; and

- (b) after the definition of “record-keeping regulations” insert —
- “Registrar” means the Registrar General; **22**.

4 Amendment of the Income Tax (Retirement Benefit Schemes) Act 1978

- (1) The Income Tax (Retirement Benefit Schemes) Act 1978 is amended as follows.

- (2) In section 11A(5) (charge to tax: unauthorised payments to or for employees) for “by a sum equal to 20% of the payment in the year of assessment in which the payment is received.”, substitute —

22 in the year of assessment in which the payment is received by a sum determined using the formula —

$P \times R$

where —

“P” is the amount of the payment; and

“R” is the percentage equal to the prescribed rate of income tax for the purposes of section 1(2)(b) of the *Income Tax Act 1970* in the year of assessment in which the payment is received. **22**.

- (3) In section 11E(1) (supplementary charge on unauthorised payments to or for employees) for “of 20% of the value of the unauthorised payment.”, substitute —

22 determined using the formula —

$P \times R$

where —

“P” is the value of the unauthorised payment; and

“R” is —

- (a) in respect of an employee who is resident in the Island, the percentage equal to the prescribed rate of income tax for the purposes of section 1(2)(b) of the *Income Tax Act 1970* in the year of assessment in which the unauthorised payment is made; or

- (b) in respect of an employee who is not resident in the Island, the percentage equal to the prescribed rate of income tax for the purposes of section 1(3) of the *Income Tax Act 1970* in the year of assessment in which the unauthorised payment is made. **22**.

5 Amendment of the Income Tax Act 1989

- (1) The Income Tax Act 1989 is amended as follows.

- (2) In section 25(5) (tax on unauthorised payments etc) for “by a sum equal to 20% of the payment in the year of assessment in which the payment is received.”, substitute —

in the year of assessment in which the payment is received by a sum determined using the formula —

$P \times R$

where —

“P” is the amount of the payment; and

“R” is the percentage equal to the prescribed rate of income tax for the purposes of section 1(2)(b) of the *Income Tax Act 1970* in the year of assessment in which the payment is received. 22.

- (3) In section 25A(1) (supplementary charge on unauthorised payments etc) for “of 20% of the value of the unauthorised payment.”, substitute —

determined using the formula —

$P \times R$

where —

“P” is the value of the unauthorised payment; and

“R” is —

- (a) in respect of an individual who is resident in the Island, the percentage equal to the prescribed rate of income tax for the purposes of section 1(2)(b) of the *Income Tax Act 1970* in the year of assessment in which the unauthorised payment is made; or
- (b) in respect of an individual who is not resident in the Island, the percentage equal to the prescribed rate of income tax for the purposes of section 1(3) of the *Income Tax Act 1970* in the year of assessment in which the unauthorised payment is made. 22.

- (4) In section 50(1) (deductions on account of tax etc from payments to certain sub-contractors) for “ 20 per cent.” substitute 22 per cent 22.

MADE 7TH FEBRUARY 2024

DR A ALLINSON
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 amends references to charges and calculations based on 20% to that of the percentage equal to the prescribed rate of income tax for the purposes of section 1(2)(b) or 1(3) of the Income Tax Act 1970 (as appropriate). It also amends the percentage amount in section 50 of the Income Tax Act 1989 (deductions on account of tax etc from payments to certain sub-contractors).

In addition it makes an amendment to section 2 of the Income Tax Act 1970 in respect of income on which tax is payable.

Furthermore it inserts a new section, section 119BA, into the Income Tax Act 1970 in respect of petroleum extraction activities or rights to provide for the computing of income from such activities or rights.