



## INCOME TAX ACT 1995

### INCOME TAX (ATTRIBUTED PROFITS) (TEMPORARY TAXATION) ORDER 2007

### INCOME TAX (ATTRIBUTED PROFITS) (GROUPS) REGULATIONS 2008

*Approved by Tynwald*

*21<sup>st</sup> May 2008*

*Coming into operation in accordance with regulation 1*

In exercise of the powers conferred on the Treasury by article 14(1) of the Income Tax (Attributed Profits) (Temporary Taxation) Order 2007<sup>1</sup>, and of all other enabling powers, the following Regulations are hereby made:-

#### **Citation and commencement**

1. These Regulations may be cited as the Income Tax (Attributed Profits) (Groups) Regulations 2008 and shall come into operation on the day they are approved by Tynwald.

#### **Interpretation**

2. In these Regulations-

“the 1970 Act” means the Income Tax Act 1970<sup>2</sup>;

“the Principal Order” means the Income Tax (Attributed Profits) (Temporary Taxation) Order 2007;

“relevant company” has the same meaning as in article 2(1) of the Principal Order;

“attributed profits” has the same meaning as in article 2(1) of the Principal Order;

“distributable profits” has the same meaning as in article 2(1) of the Principal Order and is determined in accordance with article 4(3) of the Principal Order;

“corporate taxpayer” has the same meaning as in article 2(1) of the Principal Order;

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<sup>1</sup> Statutory Document 928/07

<sup>2</sup> Vol XXI p.260



“group” means a group of companies that would qualify for “group relief” in accordance with Schedule 2 to the Income Tax Act 1980<sup>3</sup>;

“trading group” shall be construed in accordance with Regulation 5;

“holding company” has the same meaning as in Part 1 of Schedule 2 to the Income Tax Act 1980.

### **Groups – Attribution of profit**

3. For the purposes of calculating attributed profits, the distributable profits of each group member shall be aggregated in accordance with their respective shareholdings within the group. For example, if 80% of the share capital of company A was held within a group only 80% of the distributable profits should be aggregated.
4. The holding company shall provide a certificate of attributed profits in accordance with article 5 of the Principal Order in respect of the whole group within 12 months of the end of the accounting period.

### **Trading Group**

5. For the purposes of these regulations where more than 50% of the turnover or gross income (as appropriate) is derived from a trade or trades a group will be treated as a trading group.
6. Where 50% or less of the turnover or gross income (as appropriate) is derived from a trade or trades a group will be treated as a non-trading group.
7. If the aggregate distributions from the holding company of the trading group equal or exceed 55% of the aggregate distributable profits of that group then those distributable profits shall not be attributed to the members and any resident members will not be liable to income tax on attributed profits.
8. If the aggregate distributions out of the holding company of the trading group are less than 55% of the aggregate distributable profits of that group, then those distributable profits shall be attributed to the shareholders and any resident members will be liable to income tax on the attributed profits based on their share of the distributable profits of the group.
9. Any company joining or leaving a trading group during the accounting period will be part of that group for the purposes of these regulations only for the time period that it is part of the group during that period.

### **Calculating distributable profits for the purposes of attributing profits**

10. For the purposes of the Principal Order the distributable profits of the whole group for an accounting period shall be calculated as though the group is a single corporate taxpayer. The taxable profits of each group member for that period shall be aggregated in accordance with regulation 3 and any permitted allowances and deductions taken into account.

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<sup>3</sup> 1980 c.16



11. Notwithstanding the foregoing regulations, when making an assessment on an individual whose income includes attributed profits the Assessor may assess the individual on the profit of each group member individually if it appears necessary for the protection of the revenue.

Made this 9<sup>th</sup> day of April 2008



Minister for the Treasury

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**EXPLANATORY NOTE**

(This note is not part of the Regulations)

Following the coming into operation of the Income Tax (Attributed Profits) (Temporary Taxation) Order 2007 these regulations provide for the calculation of attributed profits to resident members with a shareholding in a company which is a member of a group.