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PRACTICE NOTE

PN 180/13

Date: 19 February 2013

BUDGET 2013 – 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.

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1. INCOME TAX ALLOWANCES AND RATES OF TAX

The following rates and allowances will apply for the 2013/14 tax year commencing on 6 April 2013:-

| Personal allowances | 2013/14 | 2012/13 |
|-----------------------------------------|----------------|---------|
| | £ | £ |
| Single person | 9,300 | 9,300 |
| Married couple/civil partner (combined) | 18,600 | 18,600 |
| 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 | 2,020 | 2,020 |

| Income tax rates | 2013/14 | 2012/13 |
|--------------------------------------------------------------------------------------------|----------------|----------|
| Individuals | % | % |
| Resident | | |
| Single: Lower rate on first £10,500 | 10 | 10 |
| Married couple/civil partnership - jointly assessed: Lower rate on first £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 | 10 | 10 |
| Retail business – profits above £500,000 | 10 | n/a |
| All other income | 0 | 0 |
| Other non-corporates | 20 | 20 |

2. NATIONAL INSURANCE CONTRIBUTIONS

The following rates and thresholds will apply for the 2013/14 tax year commencing on 6 April 2013:-

| Item (per week unless stated otherwise) | 2013/14 | 2012/13 |
|---------------------------------------------------------------------------|----------------|---------|
| Lower Earnings Limit (LEL) | £109 | £107 |
| Upper Accrual Point (UAP) | £770 | n/a |
| Upper Earnings Limit (UEL) | £784 | £770 |
| Primary Threshold | £120 | £118 |
| Secondary Threshold | £117 | £115 |
| Prescribed annual equivalent of primary threshold | £6,240 | £6,136 |
| Prescribed annual equivalent of secondary threshold | £6,084 | £5,980 |
| 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 | £2.70 | £2.65 |

| | | |
|-------------------------------------------------|----------------|---------|
| Class 2 small earnings exception level (annual) | £5,725 | £5,595 |
| Class 2 rate for volunteer development workers | £5.45 | £5.35 |
| Class 2 rate for share fishermen | £3.35 | £3.30 |
| Class 3 voluntary contributions | £13.55 | £13.25 |
| Class 4 lower profits limit (annual) | £6,136 | £6,136 |
| Class 4 upper profits limit (annual) | £40,768 | £40,040 |
| Class 4 rate between the lower & upper limits | 8% | 8% |
| Class 4 rate above the upper limit | 1% | 1% |

3. COMPANIES - 10% RATE OF TAX ON RETAIL BUSINESS

With effect from 6 April 2013 companies who carry on retail business in the Isle of Man and have taxable income of more than £500,000 from such business will be subject to a 10% rate of tax.

Further details can be found in PN 181/13 - The Introduction of a 10% Rate of Income Tax for Resident and Non-Resident Corporate Taxpayers on Retail Business in the Isle of Man – which has also been issued today.

4. EMPLOYER NATIONAL INSURANCE HOLIDAY

From 6 April 2012, in order to reduce the costs to employers of taking on additional employees, an employer has been able to apply to the Assessor for exemption from having to pay the secondary National Insurance Contribution where certain conditions are met. The scheme which was to operate for a period of two years until 5 April 2014 has now been extended until 5 April 2015.

Further details can be found in PN 182/13 - Extension to Employer National Insurance Holiday Scheme - which has also been issued today.

M Couch

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.