
PRACTICE NOTE

PN 177/12

Date: 5 April 2012

REVISED SYSTEM FOR REQUESTING AN ASSESSMENT IN DEFAULT

Background

Every individual liable to pay income tax is legally obliged to deliver to the Assessor, before 6 October in every year, a true and correct return of their whole income for the preceding tax year ended on 5 April. Failure to submit a return by the due date renders a taxpayer liable to an initial penalty, provided by section 111C of the Income Tax Act 1970.

However, the Assessor recognises that in certain circumstances it may not be possible to submit a fully completed return by the due date. It has been the practice of the Assessor since 2005 to deal sympathetically with such circumstances by considering requests from taxpayers or their agents that an "assessment in default" should be issued and that the initial penalty should not be imposed. Guidance on this approach was provided in Practice Note 113/05.

In view of the significant changes made to the Isle of Man income tax system since 2005, the Assessor is now issuing updated guidance which replaces PN 113/05.

Requesting an Assessment in Default

The Assessor will continue to consider requests from taxpayers or their agents that an "assessment in default" should be issued and that the initial penalty should not be imposed, where it can be demonstrated that the return cannot be submitted by the due date. However, requests will be accepted only when certain conditions are met.

The Assessor considers that individuals with uncomplicated tax affairs have sufficient time to gather the information necessary to complete and deliver their tax returns by the due date.

Conditions

1. The taxpayer must have received income from self-employment, rents or overseas taxed sources, have other complex tax affairs which may delay the establishment of final income figures (e.g. a mariner working abroad or a shareholder in an Isle of Man company), or must have experienced exceptional personal circumstances immediately before the due date, such as serious illness or unplanned temporary absence from the Island.

2. The request can be in respect of one tax return only. All earlier returns must have been submitted to the Income Tax Division.

A request must be made **in writing** by 30 September following the year of assessment to which the return relates. The request must state:

- the name of the taxpayer;
- the tax reference number;
- the year of assessment to which the return relates; and
- which of the conditions mentioned above apply.

Requests which do not include the above information will not be accepted. The Assessor may also refuse requests where there has been a history of poor compliance by the taxpayer in any tax related issues.

An assessment in default will be issued if the request is accepted. The Division will use its normal procedures in arriving at the amounts to be included in the default assessment.

Return Submission

If the return, which has been the subject of a request under this guidance, has not been submitted to the Income Tax Division within 12 months of the end of the year of assessment to which it relates (i.e. the following 5 April), then both the extended penalty provided by section 111D of the Income Tax Act 1970 which becomes chargeable on that date, and the initial penalty mentioned earlier, will be imposed.

The Assessor encourages all taxpayers to submit their returns via Online Tax Services.

Repayment Supplement

Section 107B of the Income Tax Act 1970 provides that there will be no repayment supplement in respect of any repayment of tax where a section 111D penalty has been charged **or** an assessment in default has been issued in respect of the year of assessment to which the return relates.

As an assessment in default will be issued when a request under this guidance is accepted, no repayment supplement will be payable where that assessment is subsequently revised and a refund becomes due.

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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.