

Assessor
M Couch

Telephone: (01624) 685400
Fax: (01624) 685351
E-mail: incometax@itd.treasury.gov.im
Website: www.gov.im/treasury/incometax

PRACTICE NOTE

PN 133/06

Date: 5 May 2006

THE CORPORATE CHARGE

Introduction

The corporate charge legislation is introduced by Part 1 of the Income Tax (Amendment) Act 2006 ('the Act', currently awaiting Royal Assent), following which new sections 14A to 14D will be inserted into the Income Tax Act 1970.

Liability

The corporate charge is to be paid by corporate taxpayers that are:

- resident in the Island; or
- incorporated, established or constituted under the law of the Island; or
- registered under part XI of the Companies Act 1931 ("the Foreign Companies Register")

A company incorporated outside the Isle of Man is tax resident in the Isle of Man where its management and control is in the Island.

Note: The activities carried on by a company have no bearing on its liability to the corporate charge.

Exemption

The legislation includes a number of exemptions, which may be adapted or modified by Treasury order. The Act lists the following companies within special tax regimes as 'exempted taxpayers':

- companies paying non-resident company duty
- international limited liability companies
- exempt managed banks
- exempt insurance companies
- exempt companies
- international business companies.

Note: Each of the above special tax regimes will be repealed with effect from 6 April 2007.

In addition, the following companies will also be exempted from the corporate charge by order:

- registered charities
- members' clubs
- the Isle of Man Agricultural Marketing Society
- companies remaining dormant following their incorporation (i.e. having no assets, liabilities, income or expenditure; although the annual return fee payable to the Financial Supervision Commission and fees paid to maintain a company on the Companies Register will not be treated as 'expenditure' for this purpose).

For the 2006/2007 year of assessment only, a company that has commenced dissolution proceedings or is in receivership or liquidation and, therefore, is in the process of being removed from the Companies Register before the order¹ confirming the rate of corporate charge is approved by Tynwald, will be treated by the Assessor as an exempted taxpayer and will not be liable to the corporate charge for 2006/07 provided the process is completed before 5 April 2007.

Payable Dates

For existing and continuing companies:

The charge is due on the same day as income tax, i.e. on 1 January in the year of assessment. For 2006/2007 the payment will be due on or before 1 January 2007.

For new incorporations after 1 January in the year of assessment:

If a company incorporates, takes up residence, redomiciles or is registered on the Foreign Companies Register after 1 January in a year of assessment, the charge will be due and payable not later than 30 days after the date of commencement, incorporation, establishment, constitution or registration (unless the company is dormant from that date until 5 April - see exemptions above).

For companies being removed from the register before 1 January in the year of assessment:

If a company ceases residence, is wound up, dissolved, transfers its domicile or ceases to be registered on the Foreign Companies Register, the charge is due and payable on the day before the relevant event.

When a company is being removed from the register, either by way of voluntary or compulsory liquidation, that company will be liable to pay the corporate charge. However, the liability will cease in respect of that company on the filing of the final accounts by the liquidator. If the filing of the final accounts occurs in one tax year, but the company is actually removed from the register in the following tax year, the company will not be liable to pay the corporate charge in the second year.

The Assessor will not provide clearance for voluntary dissolutions of Manx companies if the charge (or any other income tax liability) remains outstanding. To ensure that the Assessor's clearance is obtained, companies should ensure that the charge for the year and all income tax liabilities are paid before an application to remove the company from the register is sent to the Financial Supervision Commission.

¹ Statutory Document SD 214/06 Income Tax (Corporate Charge) Order 2006 will be considered by Tynwald immediately following the Act being given Royal Assent.

The Amount of the Charge

Treasury has set the charge at £250 per year of assessment.

The full amount of £250 will be due from a company where it was incorporated, or was removed from the register, part-way through the year. The charge will not be apportioned.

Interaction with Income Tax and the Distributable Profits Charge (DPC)

A company liable to Manx income tax will be able to set-off the corporate charge against its income tax liability by virtue of the new section 14C of the Income Tax Act 1970. The corporate charge cannot be deducted from the DPC which is an amount accounted for by a company on behalf of its members.

If a company's tax liability is less than £250 a refund of the difference between the corporate charge and the tax liability will not be made.

Groups

The corporate charge is payable by every company within a group. Equally, individual companies within the group which fall within one of the exemptions (see above) will not be subject to the charge.

Future Changes

Tynwald is currently considering changes to the way in which companies are taxed in the Isle of Man, and, subject to Tynwald approval, an accounting period basis of assessment will be introduced from 6 April 2007. How those changes affect the administration of the corporate charge will be outlined in a future practice note.

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.