

Assessor  
**M Couch**

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

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## PRACTICE NOTE

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PN 119/05

Date: 24 October 2005

### CONSTRUCTION INDUSTRY TAX DEDUCTION SCHEME SUB-CONTRACTOR'S TAX EXEMPTION CERTIFICATES

#### Introduction

Further to PN17/88 this practice note clarifies the checks that we will carry out before issuing sub-contractor's tax exemption certificates.

The tax exemption certificate authorises main contractors to make gross payments (i.e. without any deduction of income tax) to sub-contractors, and is issued by the Assessor of Income Tax on a concessionary basis. A sub-contractor's tax exemption certificate will not be issued by the Assessor unless the conditions set out below are satisfied.

#### 1. Individuals:

- must have been registered for Manx resident income tax for at least 6 months
- must provide a copy of a current self-employed work permit if applicable
- must be registered for Class 2 National Insurance contributions with the DHSS
- must not have any outstanding income tax return forms
- must not have any unpaid balances of income tax (including payments on account), Class 4 National Insurance (including payments on account), late return penalties or interest
- if registered as an employer, contractor or third party payer on the Island, must have all remittance payments and returns up to date.

#### 2. Partnerships

- each partner will be checked as an individual as per section 1
- if the partnership is registered as an employer, contractor or third party payer on the Island, all remittance payments and returns must be up to date.

#### 3. Manx companies:

- must not have any outstanding income tax return forms (or related accounts)
- must not have any unpaid balances of income tax, interest, penalties, distributable profits charge or amounts due under the 'loans to participators' legislation
- if registered as an employer, contractor or third party payer on the Island, must have all remittance payments and returns up to date
- each working director of the company will be checked as an individual as per section 1.

#### **4. UK companies or business enterprises:**

- must demonstrate that they qualify for gross payments under UK construction industry legislation
- if liable in the Isle of Man, must not have any unpaid balances of income tax, interest, penalties, distributable profits charge or amounts due under the 'loans to participators' legislation
- if registered as an employer, contractor or third party payer on the Island, must have all remittance payments and returns up to date
- must produce evidence of valid work permits for all construction workers brought to the Island.

#### **5. Withdrawal or refusal of sub-contractor's tax exemption certificates**

The Assessor reserves the right to refuse or withdraw an exemption certificate should any of the following circumstances apply:

- if, at any time, the certificate holder fails the relevant compliance checks listed above and fails to bring their affairs up to date when asked
- if, at any time, the Assessor is satisfied that there has been misuse of any exemption certificate issued
- if, at any time, the Assessor considers that the issuing of an exemption certificate would result in there being a serious risk to Government revenue e.g. where there has been a history of business failures and associated non-compliance by any of the applicants.

**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.