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PRACTICE NOTE

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INCOME TAX EXTRA STATUTORY CONCESSIONS – January 2005

On 18 January 2005, the following four Extra Statutory Concessions were approved by Tynwald. This Practice Note seeks to raise awareness of these concessions and provide a brief overview of their purpose.

Insurance Activities – Zero Rate of Tax on Taxable Income (GC 43/04)

This Concession is effective for the 2002/2003 tax year and subsequent years and is a transitional measure pending the introduction of the planned general zero rate of corporate tax in 2006. It applies a zero rate of income tax to the taxable income of insurance companies and the trading profits of insurance management companies which undertake defined insurance activities. This concession is not currently subject to the Distributable Profits Charge regime (which is subject to approval in the Income Tax (Amendment) (No2) Bill 2005).

Key Employees (GC 44/04)

This Concession is effective from 6 April 2003 and all following years. It provides special measures for the taxation of key employees involved in setting up new business which the Treasury is satisfied is:

- a) in the interests of the economy of the Island; and
- b) necessary for the purpose of establishing or developing any business undertaking in the Isle of Man; and
- c) will enable the business to provide additional productive employment in the Island.

Qualifying individuals will be charged to Manx income tax on their Manx source income only for the first three years of assessment in which they are resident or the period of their qualifying employment, whichever is shorter. The concession also applies to the joint income of couples who are married and jointly assessed.

Permanent Health Insurance and Income Protection Plans – Exemption (GC 45/04)

This concession is effective from 6 April 2002 and provides for the tax treatment of payments made to individuals from “qualifying policies.” It also provides a definition of a “qualifying policy”.

This Concession replaces the previous practice whereby qualifying payments were exempted from Manx income tax for the first 12 months only.

Space Activities – Zero Rate of Tax on Taxable Income (GC 47/04)

This Concession is effective from the 2004/2005 tax year and subsequent years and is a transitional measure pending the introduction of the planned general zero rate of corporate tax in 2006. It applies a zero rate of income tax on the trading profits from defined space and satellite activities. This concession is not currently subject to the Distributable Profits Charge regime (which is subject to approval in the Income Tax (Amendment) (No2) Bill 2005).

Copies of the above concessions may be obtained from the Central Reference Library, 3rd Floor, Government Office, Buck's Road, Douglas, Isle of Man (telephone 685520).

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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.