



Isle of Man
Government

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INCOME TAX DIVISION

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PRACTICE NOTE

PN 83/00

Date:

Charitable Payments

UPDATED - PLEASE REFER TO PN 171/12 DATED 21 FEBRUARY 2012 FOR DETAILS OF CHANGES TO HOW TAX RELIEF FOR CHARITABLE PAYMENTS IS GIVEN

Introduction

The purpose of this Practice Note is to set out the tax relief available to either an individual or an association for payments made to a charity. It deals firstly with any payment made to a charity under a Deed of Covenant, and secondly with other qualifying payments. This Practice Note incorporates the increased limits of relief following the February 2000 Budget. The definition of a charity for the purpose of charitable payments is set out in Section 15(a) of the Income Tax Act 1970 and is "...any corporation or society or persons, or any trust established for charitable purposes only." Section 61D (4) of the Income Tax Act 1970 extends this to include:-

- the Manx Museum and National Trust; and
- any other corporation or society of persons, or any trust specified in an order
- made by Treasury; and
- the Manx Heritage Foundation.

Charitable Deed Of Covenant

Under the Income Tax (Deductions) (Prescribed Cases) Order 1989 any covenanted payment to a charity by an individual is allowed as a deduction from total income in the year of assessment in which it is paid. A covenanted payment to a charity must:-

- be made under an irrevocable deed of covenant
- be made otherwise than for money or money's worth
- be payable every year for a period exceeding 3 years.

There are no minimum or maximum restrictions on the amount which can be covenanted. The deed of covenant cannot be backdated once it has been signed by both the donee and a witness. Some charities have standard covenant forms for completion but a copy of a suitable pro-forma which would be acceptable for Manx tax purposes is attached. Manx taxpayers entering into covenants with UK charities should use the Manx pro-forma

covenant in preference to the charities standard form if it contains references to UK tax. In order to obtain tax relief a copy of the Deed of Covenant should be forwarded to the Income Tax Division in order to include the deduction in the clients code. Otherwise the Deed should be enclosed with the relevant return form.

Charitable Donation

A single qualifying donation by an individual or association to a charity is allowed as a deduction from total income of the individual or association for that year under Section 61D and 61E of the Income Tax Act 1970. A qualifying donation is a payment made by an individual or association to a charity, other than a payment for which relief to tax is otherwise available either as a deduction from profits or as a relief. The minimum annual amount allowed as a deduction in respect of individuals is £100 per charity. The £100 can be made up of either a single payment or be the total of a number of smaller payments made to the same charity during the year. Payments to a number of different charities of amounts less than £100 but in total more than £100 will not qualify for relief. There is no minimum amount allowed for an association. The maximum aggregate annual amount allowable is either:-

- £5000 (£4500 prior to 6 April 2000) or
- 1% of the taxable income of an association before losses and capital allowances if greater.

For an individual, relief should be claimed on the relevant return form enclosing a copy of receipt from the treasurer of the charity.

Note :

A charitable donation made by an investment holding company is not allowable for tax purposes.

I Q Kelly

Assessor of Income Tax

NOTE: 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 for suggestions for improvement of issued Practice Notes and suggestions for future Practice Notes are always welcome.

Deed Of Covenant (Isle Of Man)

I

.....
(name of person making the covenant)

of

.....
(address of person making the covenant)

irrevocably covenant to pay
(name of charity

of

.....
(address of charity)

the sum of £.....on

.....in each year (state date or dates)

for the period of.....years, the first payment to be made on.....
(insert number of years) (insert date on which first payment is made)

Date.....

Signed and delivered by - (signature
of person making the covenant)

In the presence of - (signature of
witness)

full name and address of witness)
.....

A copy of this completed deed should be sent to the Assessor of Income Tax in support of
a claim to Manx tax relief.