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## PRACTICE NOTE

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**PN 58/95**

**Date: 21 March 1995**

### **Budget 1995 - Income Tax Proposals**

In his Budget speech on 21 March 1995, the Minister for the Treasury, the Hon D J Gelling MHK announced various financial measures.

#### **1. Income Tax Rates, Allowances And Thresholds**

The Treasury Minister announced the following income tax rates, personal allowances and tax thresholds for the 1995/96 year of assessment commencing 6 April 1995 (bracketed figures are the comparatives for 1994/95).

##### **Personal Allowances**

Single Person 6,400 (6,200)

Married Couple (combined) 12,800 (12,400)

Single Parent Addition 4,380 (4,250)

Blind Person 1,700 (1,650)

##### **Income Tax Rates**

Standard Rate 15 (15)

Higher Rate 20 (20)

Non-Resident Rate 20 (20)

##### **Tax Thresholds**

Single Person 8,750 (8,500)

Married Couple (combined) 17,500 (17,000)

Balance taxable at 20%

## 2. Offshore Exploration And Development

In December 1994, the Department of Industry announced the start of a licensing round for offshore oil and gas exploration and development for which applications must be delivered to the Department by 5.00pm on Tuesday, 28 March 1995. The taxation proposals were announced at the same time.

There will be no special scheme of taxation although specific provisions will need to be introduced to cater for some of the technical issues such as ring fencing. In his Budget Speech the Treasury Minister announced that the rate of income tax to be charged on petroleum profits will be 25% whilst the royalty will be at the rate of 5%.

## 3. Cash Equivalents Of Car Fuel Benefits

The cash equivalent of car fuel provided by reason of a person's employment for a car made available for private use, to apply for the 1995/96 year of assessment, is as below. The bracketed figures are the comparatives for 1994/95.

### Table A

Cars with an internal combustion engine with one or more reciprocating pistons with an engine cylinder capacity as calculated for the purposes of the Licensing and Registration of Vehicles Act, 1985.

Cylinder capacity (cc)	Cash Equivalent (£)
1400 or less	670 (640)
1401 - 2000	850 (810)
More than 2000	1260 (1200)

### Table B

Cars other than as described in Table A.

Cylinder capacity (cc)	Cash Equivalent (£)
Less than 6000	670 (640)
6000- 8499	850 (810)
8500 or more	1260 (1200)

NB - The tables of cash equivalents for cars made available by reason of employment and available for private use remain unchanged.

## 4. Incapacity Benefit

With effect from 13 April 1995, sickness and invalidity benefits paid by the Department of Health and Social Security will be replaced by incapacity benefit. A Treasury Order will be made to exempt incapacity benefit from income tax with effect from the 1995/96 year of assessment.

## **5. Income Tax Bill 1995**

The Income Tax Bill 1995 received its first reading on the 28 February 1995. It contains a number of measures replacing current extra statutory concessions and office practices whilst also introducing some new provisions:-

- 1 . Mariners' Foreign Earnings - will give seamen relief from taxation in respect of earnings received in respect of their duties carried out abroad;
2. Capital Expenditure - introduces changes to the capital allowance provisions;
3. Expenses Defrayed from Remuneration - brings within the statutory code fixed deductions for expenses incurred by employees;
4. Compensation Schemes - sets out the treatment of contributions to specific compensation schemes;
5. Training Relief - provides relief for individuals who incur expenditure on their own training;
6. Nursing Expenses - provides for relief from taxation in respect of payments by a taxpayer for the attendance of a nurse or for nursing care in a registered nursing home, subject to certain limits;
7. Medical Insurance - allows relief for the cost of private medical insurance for persons of or over the age of 60 years, subject to certain limits;
8. Relief for Superannuation Funds - will enable formal approval to be given for occupational schemes set up for non-resident concerns;
9. Purchased Life Annuities - prescribes new mortality tables;
10. Repayment of Certain Tax Credits - exempts from income tax a tax credit refunded by the UK and other taxation authorities in specified circumstances;
11. Charitable Donations - enables the Treasury by order to extend the definition of charity for the purposes of relief for donations;
12. Territorial Sea - makes it clear that Manx tax applies to the territorial sea of the Island and provides for information to be obtained from persons exploring for or producing petroleum;
13. Connected Persons - introduces a new definition within the Income Tax Act 1970;
14. Retirement Benefit Schemes - brings within the charge to income tax certain payments out of such schemes;

15. Temporary Taxation Orders - is based in principle on the Provisional Collection of Taxes Act 1968 (United Kingdom) with the intention of enabling speedier implementation of budget proposals.

The above is only a synopsis of the measures contained within the Bill and may be subject to amendment during the legislative process. A copy of the Bill may be obtained from the Central Reference Library, Government Offices, Bucks Road, Douglas.