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PRACTICE NOTE

PN 44(3)/93

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Budget 1993 - Income Tax Proposals Income Tax (Exempt Companies) Act, 1984

For the income tax year 1993/94 the exempt company fee has been set at £300. No change has been made to the fee of £1,000 where an application for exemption is made late.

Under the provisions contained in the International Business Bill, 1993 the exempt company legislation will be repealed for the income tax year 1994/95. In its place will be the proposed international company.

The regulation increasing the fee is contained in Statutory Document 151/93.

Non-Resident Company Duty Act, 1986

The non-resident company duty payable to the Chief Registrar is being increased from £500 to £600 with effect from the 1st May 1993. Thus duty is payable on delivery to the registrar of a non-resident declaration and any annual return of a non-resident company.

The appropriate regulation increasing the duty is contained in Statutory Document 152/93.

Statutory Audit Changes

Under provisions contained in the Companies Acts, the Treasury will be introducing regulations exempting non-resident companies and exempt companies from the statutory audit requirements provided the following criteria are satisfied:-

- A certificate signed by all shareholders agreeing to the removal of the audit.
- Annual confirmation that the agreement is still in force.
- Annual accounts are prepared and signed by a specified number of directors.

It is also proposed to issue, later in the year, draft regulations relating to the removal of the statutory audit for other small companies. These will be the subject of consultation between the Treasury and the appropriate professional bodies.

International Business Bill, 1993 - Update

This Bill has now passed through the House of Keys and is due to be considered by the Legislative Council during April and May.

Whilst with the House of Keys, six amendments were introduced and approved:-

Clause 1- the Treasury will now in exceptional cases be able to approve international company status for one of the excluded categories.

Clause 5 - made clear that a company electing for tax to be deducted from dividend, etc. payments and having that tax set-off against the company's tax liability may not also claim relief under Section 25 of the 1970 Act.

Clause 7- corrects an anomaly relating to the interest held by a general partner in an international limited partnership and also provides for an international company to be a limited partner.

Clauses 2 and 13 - permits the maximum income tax rate which a company may apply to be charged to be 35%.

Clause 15 - permits an international company to fall within the terms of the United Kingdom/Isle of Man Double Taxation Agreement provided the rate of tax applied is no less than 15%.

Following the announcement about the fee for exempt companies, it is proposed to set the following minimum payments for an international company:-

Applications made by 5th August or within 30 days of the date the company first commences business - £300

Application made by 5th December - £600

Application made by 5th April - £1,200

For an international limited partnership the fee is to be set at £600.

Practice Note 43/93 contains details about applications for exempt company status during the transitional year 1993/94.