
PRACTICE NOTE

PN 42/93

Date: 26 January 1993

Income Tax (Capital Relief) (Tourist Business incentive Allowance) (Amendment) Order 1992-G.C. 510/92

General

This Order was approved by Tynwald on 20 January 1993 and amends the new income tax incentive allowance introduced in October 1991 (See G.C. 337/91) for tourist businesses.

Under the original Order, capital expenditure incurred on the construction or improvement of registered tourist premises will qualify for additional relief. This new Order extends that additional relief to two new areas of expenditure:-

1. The first is plant and machinery which is for use in that building and which is an integral part of the structure of the tourist premises. An example of the expenditure which would qualify is the cost of installing a lift.

2. The second is the installation of sports and associated recreational facilities for use in that business. An example of the qualifying expenditure is tennis courts. The relief is given even though the "sports facility" is independent of the main hotel complex.

These facilities are essential to any modern tourist business and the Treasury considers it appropriate to extend the incentive allowance to include the expenditure on such items.

Certification

To qualify for an incentive allowance, it will now be necessary for the Department of Tourism and Transport to certify in writing that the giving of relief in respect of the tourist business to which the relief relates is :-

- in the interests of the economy of the Island; and
- necessary for the purposes of establishing or developing a tourist business in the Island; and
- likely to provide additional employment in the Island.

Restriction On Group Relief

In view of the high level of support now being given by way of tax relief, the Treasury Minister announced his intention to consider restricting the manner in which any unrelieved incentive allowances may be utilised. In particular, consideration is being given to restricting group relief claims for 1994/95 and subsequent years. Anyone wishing to comment on this proposal should write to the Assessor of Income Tax.

Copy Of Government Circular

Government Circular No 510/92

INCOME TAX ACT 1970

INCOME TAX (CAPITAL RELIEF) (TOURIST BUSINESS INCENTIVE ALLOWANCE)
(AMENDMENT) ORDER 1992

In exercise of the powers conferred on the Treasury by section 27A of the Income Tax Act 1970(a), and of all other powers enabling it in that behalf, the following Order is hereby made :-

Citation And Commencement

(1) This Order may be cited as the Income Tax (Capital Relief)(Tourist Business Incentive Allowance)(Amendment) Order 1992.

(2) This Order shall apply in respect of expenditure incurred after 5 April 1992.

Amendment Of G.C. 337/91

In the Income Tax (Capital Relief)(Tourist Business Incentive Allowance) Order 1991(a) -

(a) in article 2, after the definition of "initial allowance" insert " qualifying capital expenditure" means qualifying expenditure incurred by a tourist business in respect of

(a) tourist premises;

(b) plant and machinery which is for use in that business and which is or will be an integral part of the structure of the tourist premises; and

(c) without prejudice to the generality of paragraphs (a) and (b), the installation of sports and associated recreational facilities for use wholly or mainly in connection with that business, but does not include furniture (whether fixed or otherwise;;

(b) in article 3 -

(i) in paragraph (1), the words "in relation to its tourist premises" are revoked;

(ii) in paragraph (3), after the words "initial allowance,, insert "or first year allowance,,;

(c) in article 6

(i) in paragraph (1), after the words "Order 1990" insert "or the Income Tax (Capital Expenditure)(Modification) Order 1985";

(ii) "(3) Relief may only be allowed under this Order if the Department of Tourism and Transport has certified in writing that the giving of relief in respect of the tourist business to which the relief relates is -

(a) in the interests of the economy of the Island; and

(b) necessary for the purpose of establishing or developing a tourist business in the Island; and

(c) likely to provide additional employment in the Island."

Made this 23rd day of December 1992 Approved by Tynwald on 20th January, 1993