



PRACTICE NOTE

PN 38/92

Date: 14th April 1992

Budget 1992 - Income Tax Proposals Allowances And Rates Of Tax

The Minister for the Treasury announced the following income tax rates allowances to be effective for the 1992/93 income tax year commencing 6th April 1992

PERSONAL ALLOWANCES

Single Person £ 6000

Married Couple (combined) £12000

Single Parent Addition £ 4100

Blind Person £ 1600

INCOME TAX RATES

Standard Rate 15%

Higher Rate 20%

Non-Resident Rate 20%

TAX THRESHOLDS

Single Person £ 8000

Married Couple (combined) £16000

Balance taxable at 20%

I.T.I.P. Changes

Instructions will be issued within the next few days advising employers to amend codes with a F, W or M suffix and to apply the increases with immediate effect.

Codes with an S or L suffix will be reviewed by the Division over the next 2 weeks and revised codes issued as soon as possible.

No new Tax Tables will be required.

Life Insurance Premiums And Retirement Annuity Premiums

Introduction

The Income Tax Act 1991 amended Section 44 of the Income Tax Act 1970 to allow 50% of life insurance premiums to be treated as a deduction from income on a current year basis instead of allowed as a deduction from tax payable at 10% of the premiums on a previous year basis. The Income Tax Act 1991 also amended Section 50 of the Income Tax Act 1970 to allow Retirement Annuity Premiums to be deducted from other income on a current year basis instead of a previous year basis.

Both these amendments have effect from the income tax year commencing on 6th April 1991 although, due to the late approval of the Income Tax Act 1991, the change will not be reflected in assessments until 1992/93.

Implementation

The allowable premiums paid in the income tax year 1991/92, which have not already featured in any assessment, will be allowed as a deduction in the 1992/93 income tax assessment together with allowable premiums paid in that year.

The total income/relevant earnings for the year in which the premiums were paid will be used as the basis for calculating the allowable premiums

Assessment Of United Kingdom Dividends

A review is to be carried out of the current assessment procedures relating to United Kingdom dividends received by individuals. The intention is to simplify the procedure by removing the income tax charge on the unilateral relief granted by the United Kingdom Inland Revenue, such change being introduced with effect from 6th April 1993.

Review Of Company Taxation

The Treasury Minister announced the establishment of a Working Party charged with the task of carrying out a complete review of the taxation provisions relating to companies resident in the Island for income tax purposes. The terms of reference will be published shortly and will embrace :

- filing of company returns
- basis of assessment
- capital allowances
- relief for losses
- distributions
- date of payment of tax

Mr Keith Harrison has agreed to act as chairman of the Working Party. In addition to being a director of 3i - Investors in Industry, Aero Designs Isle of Man Ltd and Securicor Isle of Man Ltd, Mr Harrison is also deputy chairman of Royal Bank of Scotland Isle of Man Ltd and chairman of Royal Life International. He has an extensive knowledge of the day to day practical aspects of developing a business, having been responsible for building up the well known Harrison Hire operation.

In addition to Mr Harrison, representatives from the various business sectors will be invited to serve on the Working Party.

Employers' National Insurance Rebate

A temporary rebate on employers' secondary Class 1 National Insurance Contributions has been introduced for the contribution year 6th April 1992 to 5th April 1993. The rebate will be 10% of the employer's contribution in respect of employees subject to deductions under the Income Tax Instalment Payments system.

Benefits-In-Kind - Car Scale Rates

Appendix 1 contains the car and fuel benefit scale rates to be applied for 1992/93. Employers should ensure that a form T.9 is sent in with the T.14 annual deduction card for any employee who has been provided with a benefit including a "company" car.

Benefit Charges For Persons Employed In The Tourist Accommodation Industry

Appendix 2 contains the practice to be adopted for the year commencing 6th April 1992 in respect of employees who are provided with accommodation and food.

Appendix 1

CAR AND FUEL BENEFITS 1992/93

Notes:- 1) 1991/92 Comparatives are shown in brackets

2) Practice Note 28/90 refers

CARS MADE AVAILABLE TO EMPLOYEES FOR PRIVATE USE

TABLES OF FLAT RATE CASH EQUIVALENTS APPLICABLE FOR 1992/93

TABLE A

Cars with an original market value up to £19,250 and having a cylinder capacity

| CYLINDER CAPACITY (CC) | | AGE OF CAR AT 5/4/93 |
|-------------------------------|---------------|-----------------------------|
| | UNDER 4 YEARS | 4 YEARS OR MORE |
| 1400 or Less | £ 760 (690) | £ 510 (460) |

| CYLINDER CAPACITY (CC) | | AGE OF CAR AT 5/4/93 |
|------------------------|---------------|----------------------|
| 1401 - 2000 | £ 990 (900) | £ 660 (600) |
| More than 2000 | £1 570 (1430) | £1050 (950) |

TABLE B

Cars with an original market value of up to £19,250 and not having a cylinder capacity

| ORIGINAL MARKET VALUE | | AGE OF CAR AT 5/4/93 |
|-----------------------|---------------|----------------------|
| | UNDER 4 YEARS | 4 YEARS OR MORE |
| Less than £6000 | £ 760 (690) | £ 510 (460) |
| £6000 - £8500 | £ 990 (900) | £ 660 (600) |
| £8500 - £19,250 | £1570 (1430) | £1050 (950) |

TABLE C

Cars with an original market value of more than £19,250

| ORIGINAL MARKET VALUE | | AGE OF CAR AT 5/4/93 |
|-----------------------|---------------|----------------------|
| | UNDER 4 YEARS | 4 YEARS OR MORE |
| £19250 - £29000 | £2060 (1870) | £1380 (1250) |
| MORE THAN £29000 | £3280 (2980) | £2180 (1980) |

FUEL PROVIDED FOR CARS AVAILABLE FOR PRIVATE USE

TABLES OF CASH EQUIVALENTS APPLICABLE FOR 1992/93

TABLE A

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

| CYLINDER CAPACITY(CC) | CASH EQUIVALENT |
|-----------------------|-----------------|
| 1400 or less | £530 (£480) |
| 1401 - 2000 | £660 (£600) |
| MORE THAN 2000 | £990 (£900) |

TABLE B

Cars other than described at Table A

| ORIGINAL MARKET VALUE | CASH EQUIVALENT |
|------------------------------|------------------------|
| Less than £6000 | £530 (£480) |
| £6000 - £8499 | £660 (£600) |
| £8500 or More | £990 (£900) |

Appendix 2

BENEFIT CHARGES FOR PERSONS EMPLOYED IN THE TOURIST INDUSTRY

FOR THE YEAR COMMENCING 6TH APRIL 1992

These charges refer to persons :-

who are employed in the Tourist Industry where accommodation, food etc. is provided and whose duties are carried out on premises registered under the Tourist Premises Act 1975.

1. Persons, whether resident or non-resident, in receipt of a weekly remuneration of £150 or less (or its monthly equivalent of £650) will be exempt from the benefit charges for accommodation and food.

NOTE THE ABOVE PARAGRAPH IS AMENDED BY P.N.50/94

2. All persons in receipt of a gross weekly remuneration in excess of £150 (or its monthly equivalent of £650) will be liable to tax on the benefits received.

a) Non-Residents

In the case of non-residents, employers should implement the reduced code appropriate to the area of accommodation provided, as set out in the table overleaf. The provision of food has been taken into account in these codes.

b) Residents

In the case of residents, employers should submit a Form T22 showing details of the area of accommodation provided, together with the starting certificate Form T20/T21 Part 3.

Until the revised code is issued by the Income Tax Office employers should use the existing employees code as usual.

A Form T9 must also be submitted for all resident cases, where a charge is due, at the end of the income tax year.

(Stocks of Form T22 will be available on request from the Income Tax Office)

3. In the table overleaf are shown the amounts representing the cash equivalent of accommodation and food by way of which the reduced code has been calculated.

If this figure is deducted from the net pay (after National Insurance and ITIP deductions) of either a resident or non-resident employee, then it will be considered that no benefit arises.

If the amount deducted from the net pay is less than the cash equivalent, then the benefit charge shall equal the difference.