



PRACTICE NOTE

PN 29/90

Date: 10th April 1990

Budget 1990 - Income Tax Rates And Allowances **Main Proposals**

The Minister for The Treasury announced in his annual Budget the following income tax rates and allowances to be effective for the year commencing 6th April 1990 :-

Personal Allowances have been increased by 25% -

Single Person	£ 5,000
Married Couple	£10,000
Single Parent Addition	£ 3,440
Blind Person	£ 1,250

Rates of Income Tax (no change) -

Standard Rate	15%
Higher Rate	20%
Non-Resident Rate	20%

Tax Thresholds (no change) -

Single Person	£ 8,000 at 15%
Married Couple	£16,000 at 15%
Balance at	20%

It has been estimated that the changes to the allowances will result in 14,600 persons having no liability to income tax and represents an increase from 27% to 36% of the total individuals within the tax system.

I T I P Changes

Details of the coding changes are being sent to all employers with instructions to implement the appropriate changes with immediate effect. Cases requiring a review of the code by the Income Tax Division (approx. 5,000) will be dealt with as quickly as possible.

Concessionary Treatment Of Deductions

This is the second of the three years for which this concession applies. The details set out in Practice Note PN22/89PN 22/89 and Government Circular GC447/89 continue to apply.

Double Taxation Relief

An Order - GC 68/90 - has already been signed introducing the new marginal relief system. It will apply to all Double Taxation Relief cases assessed for 1990/91 and subsequent years.

Tourist Premises Allowances

Two new Orders have today been placed before Tynwald G C 123/90 - Income Tax(Amendment)Act 1986(Appointed Day)(No.4)Order 1990 G C 124/90 - Income Tax(Capital Relief)(Tourist Business)Order 1990

They have been introduced under the authority of Section 27A of the Income Tax Act 1970. The first repeals the existing tourist premises allowance given under Section 30 ITA70; the second re-introduces the relief but now in the form of an Order under Section 27A which enables the rate of allowances to be increased.

The overall result will be that the initial and annual allowances are increased in respect of expenditure incurred on or after 6th April 1990. Any expenditure incurred prior to that date will continue to attract the allowances at the old rate.

The new rates are to be

Initial Allowance 20% (previously 15%)

Annual Allowance 10% (previously 20%)

This is an interim measure pending a full review of the capital allowances legislation.

Extra Statutory Concessions

A new concession - G C 122/90 - has been signed to exempt from Manx non-resident income tax the National Insurance Retirement Pension paid by the Department of Health and Social Security to a person no longer resident for income tax purposes.

There is also an existing concession - G C 328/86 - which enables a pension annuity to be paid to certain non-residents without deduction of non-resident income tax. In addition, it permits the pension fund to be built up free of income tax.

Payroll Giving

The 1989 Income Tax Act contained the enabling legislation providing for the introduction of charitable giving via an employers payroll. Draft regulations for this measure are currently being studied.

Consideration is also being given to the maximum limit under the payroll scheme and also to the extension to individuals of the existing one-off donations system available to companies.

New Legislation

In his Budget speech the Treasury Minister referred to two items on which legislation will be included in the next Income Tax Bill-

- private medical insurance - tax relief is to be introduced for premiums paid by individuals aged 60 years or over;
- rental income - a form of "pooling" of rental income will be introduced, one primary condition will be that the properties are let at a commercial rent.

It is expected the Bill will be published towards the end of 1990.

Other Measures

- Nursery and crèche facilities - this is to be considered both with regard to the cost of child care and the cost of setting-up and extending such facilities.
- Pensions - talks are already underway with representatives from the pensions industry on the desirability or otherwise of introducing the 1989 UK Finance Act provisions relating to unapproved pensions and the "capping" of the maximum pension.