



## INCOME TAX ACT 1995

### INCOME TAX (PERSONAL ALLOWANCE CREDIT) (TEMPORARY TAXATION) ORDER 2010

*Approved by Tynwald 16 February 2010  
Coming into operation 6 April 2010*

The Treasury makes this Order under section 15 of the Income Tax Act 1995<sup>1</sup>.

**1 Title**

This Order is the Income Tax (Personal Allowance Credit) (Temporary Taxation) Order 2010.

**2 Commencement**

If approved by Tynwald<sup>2</sup>, this Order comes into operation on 6 April 2010.

**3 Amendment of section 2 of the Income Tax Act 2003**

For section 2 of the Income Tax Act 2003<sup>3</sup>, substitute-

"2 Qualification for credit: individuals

- (1) Subject to subsection (2), a claim for credit may be made by an individual who-
  - (a) was resident in the Island for the whole of the year of assessment in respect of which the claim is made; and
  - (b) at the commencement of that year of assessment, was aged at least 18.
- (2) A claim for credit may not be made in respect of a year of assessment if the individual-

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<sup>1</sup> 1995 c.12

<sup>2</sup> As required by section 15(2) of the Income Tax Act 1995

<sup>3</sup> 2003 c.11

- (a) was in full time education at any time during the year of assessment;
  - (b) was serving an immediate sentence of custody for the whole of the year of assessment; or
  - (c) was the spouse of an individual whose income tax liability for the year of assessment was capped.
- (3) Subsection (1) does not apply in respect of an individual who is qualified under section 3 to make a claim for credit.
- (4) In subsection (2)(c), “capped”-
- (a) means limited to a maximum amount specified in, or otherwise calculated in accordance with a formula or other provision contained in, an order made under section 1 of the Income Tax Act 1970; and
  - (b) includes a limitation of liability where the prescribed rate in respect of relevant income is zero.
- (5) In subsection (4) –
- “prescribed rate” has the same meaning as in section 1 of the 1970 Act; and
- “relevant income” means taxable income which would, but for an order referred to in subsection (4)(a), attract income tax in excess of an amount specified in, or otherwise calculated in accordance with a formula or other provision contained in, the order.
- (6) Subsection (2)(c) does not operate where a joint treatment election made under section 65C of the 1970 Act is in force in respect of the individual and the spouse.”.

#### **4 Amendment of section 6 of the Income Tax Act 2003**

In section 6 of the Income Tax Act 2003, after subsection (2) insert–

- “(3) However, in the circumstances specified in subsection (4), the credit in respect of a married couple is half the sum specified in subsection (2).
- (4) The circumstances are that either spouse –
  - (a) was in full time education at any time during the year of assessment; or

- (b) was serving an immediate sentence of custody for the whole of the year of assessment.
- (5) No credit is payable to the married couple in respect of the year of assessment if the circumstances specified in subsection (4) apply in some way to both spouses."

MADE

27<sup>th</sup> January 2010



Minister for the Treasury

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#### EXPLANATORY NOTE

*(This note is not part of the Order)*

This Order amends the Income Tax Act 2003 to restrict the payment of personal allowance credit.

An individual will no longer be able to claim the credit if, during the year to which the claim relates, they were in full time education at any time, were serving a custodial sentence for the whole of that year or were the spouse of an individual whose liability to income tax had been capped.

In addition, married couples who are jointly assessed will only be entitled to receive half of the credit payable to a married couple if, during the year to which the claim relates, one spouse was in full time education at any time or was serving a custodial sentence for the whole of that year.