



INCOME TAX ACT 1970

INCOME TAX (DISTRIBUTABLE PROFITS CHARGE) (MIXED INCOME COMPANIES) REGULATIONS 2007

Approved by Tynwald

21st March 2007

Coming into operation on in accordance with regulation 1(2)

In exercise of the powers conferred on the Treasury by sections 13A(3) and (4) of the Income Tax Act 1970(a), and of all other enabling powers, the following Regulations are hereby made:-

Citation and commencement

1. (1) These Regulations may be cited as the Income Tax (Distributable Profits Charge) (Mixed Income Companies) Regulations 2007.

(2) These Regulations shall come into operation on the date on which they are approved by Tynwald and shall have effect in respect of the income tax year commencing 6th April 2007 and subsequent years.

Revocation

2. The Income Tax (Distributable Profits Charge) (Mixed Income Companies) Regulations 2006(b) are revoked.

Interpretation

3. In these Regulations-

“the Act” means the Income Tax Act 1970;

“distributing company” has the same meaning as in section 12(11) of the Act;

“distributable profits charge” has the same meaning as in section 13(1) of the Act;

“distributable profit” is determined in accordance with section 13A(8) of the Act;

(a) Vol XXI p.260

(b) Statutory Document 221/06

“corporate taxpayer” has the same meaning as in section 120 of the Act;

“trading corporate taxpayer” means a corporate taxpayer whose business consists wholly or mainly of the carrying on of a trade or trades.

Corporate Taxpayers – Mixed Income

4. A corporate taxpayer that is not a trading corporate taxpayer; in receipt of income from both trading and non-trading sources, shall compute the distributable profits charge in accordance with these regulations.
5. If a corporate taxpayer that is subject to these regulations does not distribute any amount of the distributable profit the amount of the charge shall be:
 - (1) 18% of 55% of the distributable profit in respect of the trading income; and
 - (2) 18% of 100% of the distributable profit in respect of the non-trading income.
6. Subject to regulation 9, if a corporate taxpayer that is subject to these regulations distributes an amount that is less than 100% of the whole of the distributable profit the distribution shall be treated as a distribution of the non-trading income first and, should there be sufficient distribution made, a distribution of the trading income second.
Accordingly:
 - (1) if the amount of the distribution of the non-trading profit equals 100% of the non-trading part then no charge would be due in respect of that part; and
 - (2) if the amount of the distribution of the trading part is equal to, or greater than, 55% of the trading profit then no charge would be due in respect of that part.
7. Where the distribution is less than 100% of the non-trading profit the distributable profits charge shall be computed on the whole of the profit in accordance with regulation 5 of these regulations as if no distribution had been made.
8. Where the distribution is greater than 100% of the non-trading profit, but the amount treated to be a distribution of the trading profit is less than 55% of the trading profit, the amount of the charge shall be:
 - (1) in respect of the non-trading distributable profit, nil; and
 - (2) in respect of the trading distributable profit, 18% of 55% of the distributable profit arising from the trading income.
9. Notwithstanding regulation 6, a corporate taxpayer that distributes less than the whole of its distributable profit in respect of an accounting period may elect in writing to the Assessor within 12 months from the end of the accounting period for the Assessor to treat the distribution (as regards whether it is, firstly, non-trading income or trading income) otherwise than in accordance with the order in regulation 6. If it does so, it must specify an alternative order. Where an election is made within the time limit the Assessor shall calculate the distributable profits charge in accordance with regulation 5 but will calculate the charge in accordance with the order specified in the election rather than in accordance with regulation 6.

Made this 7th day of February 2007



Minister for the Treasury

EXPLANATORY NOTE

(This note is not part of the Regulations)

These regulations apply where a corporate taxpayer, which is not a trading corporate taxpayer, is in receipt of income from both trading and non-trading sources. The regulations determine whether the distributable profits charge is due and, if so, the amount of the charge. They also determine how distributions of less than the whole of the distributions profits may be treated as non-trading income or trading income for the purposes of the charge.