



**INCOME TAX ACT 1970**

**INCOME TAX (DISTRIBUTABLE PROFITS CHARGE) (MIXED INCOME COMPANIES) REGULATIONS 2006**

*Approved by Tynwald 12<sup>th</sup> July 2006*

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

In exercise of the powers conferred on the Treasury by section 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 2006.
- (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 6<sup>th</sup> April 2006 and subsequent years.

**Interpretation**

2. In these Regulations-

“the Act” means the Income Tax Act 1970;

“distributing company” is defined in accordance with section 12(11) of the Act;

“distributable profits charge” is defined in accordance with section 13(1) of the Act;

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

“corporate taxpayer” is defined in accordance with 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.

---

(a) Vol XXI p.260, section 65C substituted by section 4 Income Tax (Amendment) Act 2006



## 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 in respect of the trading income shall be 18% of 55% of the distributable profit and 18% of 100% of the distributable profit arising from 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 of these regulations, a distribution allowed under section 25 of the Act, made by a corporate taxpayer that is subject to the 10% rate on part of its income shall be treated as a distribution of that part first, before applying the conditions set out in regulation 6.

Made this 12<sup>th</sup> day of July 2006



Minister for the Treasury



**EXPLANATORY NOTE**

(This note is not part of the Regulations)

Following the enactment of the Income Tax (Amendment) Act 2006 corporate taxpayers that are classed as non distributing companies are required to account for the distributable profits charge in respect of its members who are resident in the Isle of Man. These regulations deal with the situation where a corporate taxpayer is in receipt of income from both trading and non-trading sources and determines whether the charge is due and, if a charge is due, the amount of that charge.