



INCOME TAX ACT 1970

**INCOME TAX (CAPITAL RELIEF) (DEFERMENT OF BALANCING CHARGE
ON SALE OF SHIP) ORDER 1994**

Approved by Tynwald 21st June 1994
Coming into operation 6th April 1994

In exercise of the powers conferred on the Treasury by section 29(2) of the Income Tax Act 1970(a), and of all other powers enabling it in that behalf, the following Order is hereby made :-

Citation and commencement

1. (1) This Order may be cited as the Income Tax (Capital Relief)(Deferment of Balancing Charge on Sale of Ship) Order 1994.

(2) Subject to section 29(2) of the Income Tax Act 1970, this Order shall apply in respect of expenditure incurred in the income tax year 1994/95 and subsequent years.

Modification of balancing charges

2. The conditions subject to which charges may be imposed under subsection (1) of section 29 of the Income Tax Act 1970 shall be modified so as to operate in accordance with articles 3 and 4.

Deferment of balancing charge on ships

3. (1) This article applies where -
(a) in any chargeable period a first year allowance would fall to be made to a person carrying on a trade in respect of expenditure incurred by him on the purchase

of a ship; and

(b) the ship is subsequently sold.

(2) Subject to paragraphs (3) and (4), any balancing charge which falls to be made on the sale of the ship shall be treated as falling to be made in the year of assessment in which -

(a) the proceeds of the sale are used to purchase another ship; or

(b) the fifth anniversary of the sale of the ship occurs; or

(c) the person so elects; or

(d) the person ceases to carry on a trade in or from the Island in which expenditure is incurred in the provision of ships for the purposes of that trade; or

(e) the person ceases (other than by reason of a lack of taxable income) to be a person who is liable to pay income tax under the Income Tax Acts,

whichever event occurs first.

(3) Where an event referred to in paragraph (2)(c), (d) or (e) occurs on 6 April, the balancing charge shall be treated as falling to be made in the year of assessment immediately preceding the year of assessment in which the event occurs.

(4) Where part of the proceeds of the sale are used to purchase another ship, the remaining balance of the proceeds shall be treated as proceeds to which paragraph (2) applies.


Transfer of balancing charge

4. Where on a company ceasing to carry on a trade in or from

the Island in which expenditure is incurred in the provision of ships for the purposes of that trade, another company begins to carry it on and the successor company satisfies the Assessor that it is beneficially owned by the same persons as the predecessor company -

- (a) there shall be made on or to the successor company all such allowances and charges as would, if the predecessor had continued to carry on the trade, have fallen to be made on or to it; and
- (b) the amount of any such allowance or charge shall be computed as if -
 - (i) the successor company had been carrying on the trade since the predecessor began to do so; and
 - (ii) everything done to or by the predecessor company had been done to or by the successor company (except the transfer of the trade).

Made this 25th day of May 1994


Minister for the Treasury

EXPLANATORY NOTE

(This Note is not part of the Order)

Section 29(2) of the Income Tax Act 1970 enables the provisions relating to relief for capital expenditure to be modified.

This Order introduces a modification to the treatment of the proceeds of sale arising from the sale of a ship. It will enable the income tax consequences of such a sale to be deferred for a period of up to five years.