

ISLE OF MAN BUDGET 2005-2006

CLAARE ARGIDOIL ELLAN VANNIN

PRESS RELEASES

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[Isle of Man Government Finances for 2005-06](#)

The Treasury

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News Release

Under strict embargo until 11.30 a.m., on
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2005-06 ISLE OF MAN BUDGET AT A GLANCE

- Extension of zero tax rate to businesses operating within manufacturing, agriculture, fishing, film, e-gaming and tourist accommodation industries;
- £34.5 million or 7.7% increase in net Departmental revenue spending on public services;
- Personal Allowances Credit band increased by £275 to £2,500 for individuals who do not fully utilise personal allowances, with the maximum Personal Allowance Credit increased by 12.4% to £250;
- Income tax personal allowances increased by 3.3% to £8,500 for single persons and £17,000 for married couples;
- Personal income tax standard rate stays at 10%, with the higher rate remaining at 18%;
- Tax relief on Educational Covenants extended to include those aged 16 to 18 attending approved courses;
- Income tax rate for trading companies remains at 10%;
- Company tax higher rate remains at 18% for non-trading income;
- Commercial Building Allowance for Ramsey, Peel and Port St Mary extended for a further year to 2006;
- Exempt company fees increased by 5% to £475;

- £11.7 million surplus expected in 2005-06; £9.1million surplus in the current year;
- Capital programme at £92 million to be financed without recourse to external borrowing;
- Income Tax personal allowances increased by 3.3% -
 - ◇ Single Person's Allowance £8,500
 - ◇ Married Couple's Allowance £17,000
 - ◇ Single Parent Allowance £14,300 (including Single Person's Allowance)
 - ◇ Registered Blind Person Additional Allowance and Disabled Person Allowance £2,610
- Thresholds at which higher rate becomes payable increased by 3% -
 - ◇ Single Person increased to £10,300 of taxable income;
 - ◇ Married Couple increased to £20,600 of taxable income, fully transferable between husband and wife;
- Single persons may have incomes of £18,800 before paying tax at the higher rate of 18%, whilst for married couples this figure is £37,600;

Further information from :

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ISLE OF MAN BUDGET BRINGS ZERO TAX RATE TO SIX MORE SECTORS

ISLE of Man Treasury Minister Allan Bell MHK has today (Tuesday, February 15, 2005) announced a zero rate of income tax for six more sectors of the Island's economy – manufacturing, film, e-gaming, tourist accommodation, agriculture and fishing.

Mr Bell confirmed that the Island – which already has the zero rate for insurance, fund management, space and satellite technology and shipping – will introduce it as a standard for business in April next year.

The Minister stated: 'The Isle of Man is an international business and finance centre with a diverse, dynamic economy. We believe in encouraging enterprise to generate jobs and income for our community.'

'We want business to blossom on the Island. We are known internationally as one of the most business-friendly places in the world. Now we are building on that reputation by extending the zero rate of income tax to six more sectors of our economy.'

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Mr Bell added: ‘An outsider looking at us today could only conclude that the Isle of Man remains a wonderful environment in which to live and to work. The economy continues to grow, public expenditure has been increased allowing for real increases in the services and benefits that we offer to our citizens - and we have moved confidently forward towards the conclusion of our taxation strategies that have been planned for several years’.

Key features of the Budget include:

- Extension of the zero rate of Income Tax to include agriculture, fishing, film, e-gaming, tourist accommodation and manufacturing industries. This is further step towards the introduction of a standard zero rate for business in 2006. (The zero rate will then apply to the vast majority of companies, apart from certain deposit-taking institutions which will continue to pay 10%).
- The creation of a £2m Marketing Initiatives Fund to encourage proposals for the development of the economy.
- Personal Allowances increased by 3.3% to £8,500 for a single person and £17,000 for married couples, taking 700 people out of tax based on their latest available tax-returns.
- Income Tax threshold at which higher rate for individuals becomes payable increased by 3% to £10,300.
- An increase of £34.5 million or 7.7% - well above inflation – in net Departmental revenue spending on public services, including £16.1 million more for Health and Social Security and £5.7 million more for Education.
- An increase of 12.4% in the Personal Allowance tax credit for people on low incomes, providing payments of up to £250.
- An undertaking to review the taxation of high net worth individuals, with the intention of capping their personal tax liabilities, in order to encourage further business opportunities into the Island.

The Minister declared: ‘The measures within this budget continue to create a favourable business environment, whilst not forgetting those unable to benefit from the wealth these businesses create’.

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For trading companies outside the zero rate regime, the lower income tax rate is to stay at 10%, with the threshold at which the standard rate of 15% becomes payable remaining at £100 million. This provision, effectively meaning that all taxable trading income is charged at 10%. A higher rate of 18% will remain for all other company income.

For individuals, the standard income tax rate will stay at 10%, with the higher rate remaining at 18%.

In the current year, £19 million will be transferred to reserves.

In 2005-06 there will be a 7.7% increase in net spending on public services, to a total of £483 million; a £12 million estimated surplus, and a £92 million capital programme.

Other Budget measures include:

- Extension of Commercial Building Allowance in Ramsey, Peel and Port St Mary for a further year, to 2006.
- Extended tax relief on Educational Covenants for certain 16 to 18 year olds.
- An increase in Exempt Company Fees from £450 to £475 per annum.
- A 54% increase in the Overseas Aid budget to £1 million.
- Provision for an additional 212 Government employees.

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Further information from :

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News Release

ISLE OF MAN GOVERNMENT FINANCES FOR 2005-06

Total tax receipts for 2005-06 are estimated at £494 million, an increase of 7.8% over the current year's estimate despite over £3 million worth of tax reductions.

The Treasury Minister, Allan Bell announced that next year's Government net spending, which is the amount that has to be funded by direct and indirect taxation, is to increase by £34.5 million, or 7.7%, to £483 million.

A surplus of £11.7 million is projected for 2005-06.

Government's gross spending, that is spending before taking into account income collected by Government Departments themselves, is estimated at £719.8 million, which averages almost £2.0 million a day.

The Income Tax standard rate for individuals remains 10%, with the higher rate remaining at 18%. Personal allowances are increased by 3.3%.

The lower rate of Income Tax for trading companies remains at 10%. The higher rate will remain at 18% for all other company income.

The zero rate of Income Tax is extended to businesses operating within manufacturing, agriculture, fishing, film, e-gaming and tourist accommodation industries.

The investment income generated by the Reserve Fund and the Manx Currency Account will continue to be reinvested in the Reserve Fund.

£29 million is to be transferred to various Reserves over the current and next year.

The operating balance, which Government needs to keep available for contingencies, is £24.1 million or 5.0% of net spending.

Capital Estimates of £92 million are included for the year, which will be funded without recourse to external borrowing, of which £2 million relates to borrowings from Government by the Statutory Boards and Local Authorities.

Provision has been included in the Budget for an additional 212 Government employees. It is a 2.7% increase taking the total personnel employed by Government Departments, including seasonal staff and Statutory Boards, to the equivalent of 7,924 full-time posts. Of this, 2,625 or 33% work for the Department of Health and Social Security, with over 1,655 or 21% employed by the Department of Education.

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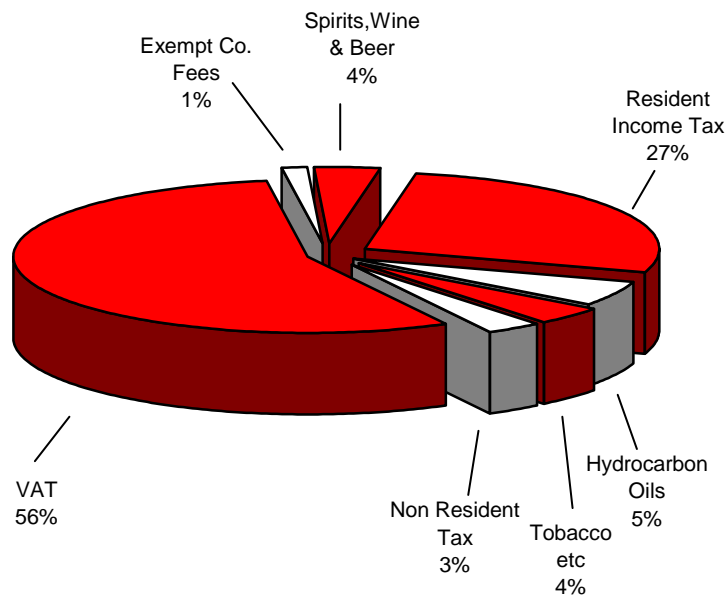
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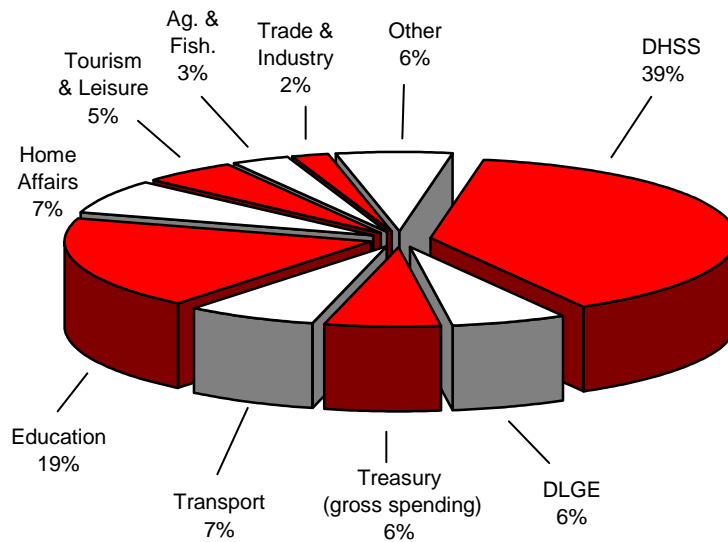
ESTIMATE OF GOVERNMENT FINANCES

2005-06

WHERE THE MONEY COMES FROM



WHERE THE MONEY GOES



ESTIMATE OF GOVERNMENT FINANCES

2005-06

NET EXPENDITURE COMPARISON

DEPARTMENT	Budget 2004-2005	Budget 2005-2006	Increase	
	£	£	£	%
Agriculture, Fisheries & Forestry	14,862,000	15,484,000	622,000	4.2
Education	83,476,000	89,169,000	5,693,000	6.8
Health & Social Security	173,490,000	189,559,000	16,069,000	9.3
Home Affairs	28,937,000	31,522,000	2,585,000	8.9
Local Government & Environment	22,123,000	27,903,000	5,780,000	26.1
Tourism & Leisure	24,434,000	25,421,000	987,000	4.0
Trade & Industry	15,082,000	10,239,000	(4,843,000)	(32.1) *
Transport	33,158,000	33,978,000	820,000	2.5
Treasury (Gross expenditure)	25,649,000	30,178,000	4,529,000	17.7
	421,211,000	453,453,000	32,242,000	7.7
Executive Government	20,858,000	21,899,000	1,041,000	5.0
Manx National Heritage	4,731,000	5,093,000	362,000	7.7
Road Transport Licensing Committee	217,000	215,000	(2,000)	(0.9)
Statutory Boards (Revenue Funded)	(2,384,000)	(2,236,000)	148,000	6.2
Expenses of the Legislature	3,620,000	4,305,000	685,000	18.9
	448,253,000	482,729,000	34,476,000	7.7

Note: Changes in expenditure reflect committed spending on pay, pensions and benefits, adjustments to loan charges and further spending increases.

* DTI figures include a £6.0 million reduction due to the removal of the annual revenue payment to the Media Development Fund.