

News Release



21st February 2006

ISLE OF MAN TAX CAP TARGETS NEW GENERATION OF ECONOMICALLY ACTIVE ENTREPRENEURS

PACKAGE CAPS PERSONAL TAX AT £100,000 AND INTRODUCES 0% CORPORATE TAX AS STANDARD

Today [21st February 2006] the Isle of Man Treasury Minister, Hon. Allan Bell, announced a package of measures to further stimulate the inflow of investment and business to the Isle as part of his 2006 Budget speech to Tynwald, the Isle of Man Parliament. A key component of these measures is the introduction of a 0% Corporate tax as standard, which will take effect from 5 April 2006.

The new 0% tax regime is in accordance with the promised five year public taxation plan announced in 2000, which has been delivered on target, two years ahead of other UK Crown Dependencies and other competitors in the full implementation of a zero tax strategy. This is intended to stimulate inward investment by businesses establishing on the Island, and will also provide a consistent treatment across all sectors of the economy as part of the Isle of Man's commitment to a diversified economy.

Presenting an integrated strategy of business and individual tax incentives, the Budget also introduces a cap on personal income tax at a maximum level of £100,000 per annum,

irrespective of earnings. It is foreseen that this will attract high-net-worth individuals and active entrepreneurs to the Island with the drive to further stimulate the Isle of Man's burgeoning economy. By making a tax system that is simple to understand and available to all, the Treasury Minister is keen to provide a competitive advantage to the Island, in line with its fiscal strategy to promote the Isle of Man as a quality business centre of international standing. The introduction of a new Manx corporate vehicle, due later this year, is a further key element of its coordinated fiscal policy.

The Budget aims to deliver for the individual as well as business via a number of measures that will benefit all households on the Isle. As part of the personal tax measures, an increase in personal tax allowances is announced, to £8,670 for single people and to £17,340 for married couples. Combined with an increase in the Personal Allowance Credit by 40% to £350, this will help the less well off, giving almost £3m income to those that need it most.

In line with Tynwald statutory directives, this budget has been achieved without creating a deficit. The Isle of Man Treasury budgets for a surplus and balances its books year on year. Significantly, the new tax measures are introduced without any increase in taxes or cut in public expenditure. As such, the Isle of Man represents one of the most successful economies in Europe, and is now in its 21st year of unbroken growth, with unemployment below 1.5%. In the last ten years, its annual growth has averaged 7.4%, compared to an EU average of 2 ½ per cent. The Isle of Man is recognised as a 'category 1' jurisdiction by the Financial Stability Forum and Standard & Poor's and Moody's have awarded the Isle of Man a Triple A and Aaa rating respectively.

Commenting on the Budget, Isle of Man Treasury Minister, Hon. Allan Bell said:

"The 2006 Budget marks the delivery of our promises to the international community and demonstrates the Isle of Man's ongoing commitment to innovation. It provides for significant

increases in public expenditure and the provision of further assistance to those in our society who need it most, both at home and overseas. It is also a Budget for business, inviting the enterprising and the ambitious to come to our Island to work with us”.

Key features of the Budget - an overview:

- Income tax rates for all non-regulated trading companies reduced to 0%.
- Personal Allowances increased by 2% to £8,670 for a single person and £17,340 for married couples.
- Income Tax threshold at which higher rate for individuals becomes payable increased by around 2% to £10,500.
- An increase of 40% in the Personal Allowance tax credit for people on low incomes, providing payments of up to £350.
- Tax cap to income tax liability of £100,000 in any one year for individuals.
- An increase of £39.3 million or 8.2% - well above inflation – in net Departmental revenue spending on public services, including £16.9 million more for Health and Social Security and £4.6 million more for Education.

- **Ends** -

Notes to Editors:

▪ **Isle of Man Finance**

Isle of Man Finance is a division of the Treasury Department of the Isle of Man Government. It is responsible for assisting new financial services businesses to establish themselves on the Island, international media relations, international marketing and supporting existing Isle of Man financial services business.

▪ **London Office**

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