



RETURN FORM GUIDANCE NOTES

IMPORTANT INFORMATION TO ASSIST WITH THE COMPLETION OF COMPANY RETURN FORMS (R1C)

This booklet is for your use and is not required to be returned to the Income Tax Division.

Further help in completing the return form is available by either telephoning or calling at the Income Tax Division. Guidance Notes (GN), Practice Notes (PN) and Statutory Documents (SD) may be viewed on the ITD website.

The telephone number is (01624) 685400

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Office opening hours are Monday – Thursday 9.15am – 5.00pm
Friday 9.15am – 4.30pm

IMPORTANT INFORMATION

- The return must be completed and submitted by the due date shown on the front page.
- Any tax charges payable are due on the same due date.
- Penalties will apply for late submission.
- Unacceptable returns will incur penalties if not re-submitted and accepted before the due date.

Introduction

Companies pay income tax in the Isle of Man on a pay and file system based on accounting periods. All companies, except those that have been specifically notified otherwise, are required to complete a company Income Tax Return Form (R1c) and submit it to the Assessor of Income Tax by the due date stated on the front page, along with any amount payable. The amount of information required on the return depends on the ownership of the company and the income sources it has.

A return may be submitted for acceptance before the due date. Any tax payable does not need to be paid until the due date.

A return that is not accepted for one or more of the reasons stated in the sections of this guide will be sent back for completion or amendment and must be re-submitted by the due date in order to avoid receiving a penalty charge.

An unacceptable return submitted on the due date will incur a late return penalty.

This guidance note includes information on the completion of each section of the return form, including details of which companies must complete each section. The numbering of the following sections corresponds with the sections on the return for ease of reference.

1**OWNERSHIP AND RATES OF TAX**

ALL companies must complete this section of the return.

- The answers provided to the questions in this section will determine which other sections of the return must be completed for the company.
- 'Ownership' means beneficial ownership. The residential status of registered shareholders who are nominees does not count. 'Non-resident' means not resident in the Isle of Man for income tax purposes.

If the company has no income then the reason why must be specified.

- Please select "asset holding company" if the company holds only non-income producing assets.
- Please select "nominee company" if the company is in receipt of income, or holding shares or other assets purely in a nominee capacity.
- Please use "other" if the company is neither an asset holding company, nor a nominee company, but has had no income for the accounting period. Please state the reason for the company having had no income, for example having been a shelf company following incorporation, dormant following cessation of trade or acting as a trustee.

Income received by companies is subject to Manx income tax at the standard rate of 0% **except** income from banking activities and from land and property situated in the Isle of Man, which is subject to Manx income tax at 10%. The specific nature of income subject to the 10% rate is defined in the Income Tax (Rates of Income Tax) (Resident and Non-resident corporate Taxpayers) Order 2006 (SD 224/06).

A trading company whose income is subject to the standard rate of 0% may elect for its profits to be taxed at the 10% rate. An election must be made by the due date of the Return Form R1c, for the accounting period from which the 10% rate is to apply, and is irrevocable by the company for five consecutive accounting periods. Further information on making an election is contained in SD 224/06 and section 4.1 of GN 36 Distributable Profits charge.

Accounts must be submitted if the company has income from a trade or profession or income subject to tax at the 10% rate.

- Companies with no Manx resident ownership **AND** no income subject to the 10% rate for the accounting period covered by the return are required to complete section 1 and sections 6 to 10 only.
- Companies with no Manx resident ownership **AND** no income at all for the accounting period covered by the return are required to complete section 1 and sections 7 to 10 only.

The return form will not be accepted if section 1 is not completed.

It will be sent back for completion and re-submission.

2	INCOME TAX COMPUTATION
	<p>This section must be completed by all companies with Manx resident ownership OR income subject to tax at the 10% rate for the accounting period covered by the return.</p> <p>At Appendix 1 is a numeric list of the available Trade classification Numbers (TCNs). A list of TCNs categorised according to the activity can also be found on our website at www.gov.im/incometax.</p>
2.1	INCOME FROM TRADE OR PROFESSION
	<p>All companies with income from a trade or profession in the Isle of Man are required to complete this section of the return. Rental income should be noted at section 2.2.</p> <ul style="list-style-type: none"> • The 2XX-00 TCN appropriate to the trade or profession should be used. • A separate computation to support the accounts and the figures in this section can be attached where required. • 'Adjusted Profit' is the accounting profit or loss after adding back amounts not allowable for income tax purposes and deducting amounts not taxable as income, plus any amount accounted for as a capital receipt which is taxable as income less any amount accounted for as a capital payment which is deductible for income tax purposes (e.g. leasing payments). • A separate capital allowances computation must be submitted to support the figures for capital allowances and/or a balancing allowance/charge. • Where losses are surrendered or claimed as group relief, the name of the claimant or surrendering company (or companies) must be provided. • Where the computation is not completed, the return form will not be accepted and will be sent back for completion. • Where the supporting accounts are not submitted, providing all other relevant sections of the return form are complete, the return form will be accepted and the accounts will be requested separately.
2.2	INCOME FROM MANX LAND AND PROPERTY
	<p>All companies in receipt of rental income from land and property in the Isle of Man are required to complete this section of the return. Section 2.1 should be completed for income from Manx land and property derived from a development trade. The rate of tax is 10% for rents received from the letting of commercial or residential property but capital allowances differ, as detailed below.</p> <ul style="list-style-type: none"> • TCN 297-00 should be used for the letting of commercial property in the Isle of Man and TCN 535-00 should be used for the letting of residential property in the Isle of Man. • 'Adjusted rents' is the net accounting rental income after adding back non-allowable expenses, e.g. depreciation and any capital expenditure included in repair and maintenance costs. Capital expenditure may qualify for capital allowances. • Practice Note PN 51/94 Assessment of Income arising from Land and Property summarises the types of expenditure that may qualify for capital allowances. commercial letting i.e. where the tenant carries on a trade or profession qualifies for plant & machinery allowances, with rates of 100% first year allowance and 25% writing down allowance. Residential letting qualifies for an annual allowance of 10% of cost over 10 years (straight line basis). • Details of repair and maintenance costs claimed (after any adjustment as above) should be provided with the return, i.e. a brief description of work done, except where the amount is consistent with previously established annual costs under that heading. • 'Excess utilised' refers to agreed excess property expenses brought forward. • A separate computation to support the accounts and the figures in this section can be attached where required. • Where the computation is not completed, the return form will not be accepted and will be sent back for completion. • Where the supporting accounts are not submitted, the return will not be accepted.

2.3	OTHER INCOME
	<p>All companies with income from other sources are required to complete this section of the return. Appendix 1 details a numeric list of the available Trade classification Numbers (TCNs) which is grouped according to source.</p> <ul style="list-style-type: none"> • If the company has investment income from the Isle of Man then a 5XX-00 TCN should be used. • There are four specific TCNs to be used for dividend income: <ul style="list-style-type: none"> ◆ 555-00 Dividends received with no tax or DPC credit ◆ 555-01 Dividends received with DPC credit ◆ 555-02 Dividends received with tax credit ◆ 556-00 Distributions from company reserves • Any DPC or tax credit vouchers must be included with the return when income is declared using the above TCNs. <ul style="list-style-type: none"> ◆ The value of the credit voucher should be stated in the 'Tax Rate or credit Voucher Value' column. • If the company has income from the UK and overseas, that has not already been taxed, then a 6XX-00 TCN should be used. This includes overseas trading profit that has not already been taxed. • If the company has income from the UK and overseas, that has been taxed, then an 8XX-00 TCN should be used. This includes overseas trading profit that has been taxed. <ul style="list-style-type: none"> ◆ Details of the rate of tax suffered on UK and overseas income should be completed in the 'Tax Rate or credit Voucher Value' column. • If the company is an Investment Holding company, the net taxable income figures should be stated and a computation provided, as detailed in Practice Note PN 68/97 Investment Holding companies – Allowable Expenses.
3	<p>DISTRIBUTIONS</p> <p>All companies with any Manx resident ownership are required to complete this section of the return.</p> <ul style="list-style-type: none"> • In order for tax liabilities to be calculated correctly, the total distributions and dividends have to be entered in the box and separate schedules provided for dividends paid. <p>Required Information A separate schedule must be provided showing the following details in respect of each payment made to Manx residents:</p> <ul style="list-style-type: none"> • Recipient's name and address • Amount of distribution and date of payment <p>If distributions are made from profits that have been subject to DPC, ARI or 10% income tax, the company must provide each Manx resident member with a credit voucher. Please see Guidance Note GN 36 Distributable Profits Charge, GN38 Pay & File System for Companies and GN41 Attribution Regime for Individuals for more information.</p> <p>Please also refer to PN 174/12 Removal of Concessions – Distributions for further details regarding the taxation of distributions.</p>
4	<p>LOANS TO MANX RESIDENT PARTICIPATORS</p> <p>All companies that have made any advances, or written off, or received any repayments of loans, to Manx resident participators during the accounting period are required to complete this section of the return.</p> <ul style="list-style-type: none"> • Copies of each participator's loan account for the accounting period will suffice as the schedule required. • The net advance made to each participator during the accounting period is the chargeable

	<p>amount. If regular advances made throughout an accounting period are repaid at the end of it, no charge will be made. Repayment may be made by a direct loan account credit of a dividend declared. In practice, repayments made after the end of the accounting period but before the due date for submission of the return (and the payment of a charge) will be taken into account if they are reported. Where the supporting schedule is not submitted with this return, providing all other relevant sections of the return form are complete, the return form will be accepted and the schedule will be requested separately.</p> <ul style="list-style-type: none"> • Further information regarding loans to participators is detailed in Practice Note PN 106/04 Loans to Participators.
5	INCOME DETAILS
	<p>Only companies with no Manx resident ownership AND no income subject to Manx income tax at 10%, should complete this section of the return.</p> <ul style="list-style-type: none"> • The amount stated should be the accounting profit for the period. • Supporting accounts are not required to be submitted with the return. • Where the company has more than three sources of income, any extra sources can be provided on a separate schedule. <p align="center">If this section is not complete the return form will not be accepted. It will be sent back for completion and re-submission.</p>
6	PARTICULARS OF OTHER PAYMENTS MADE BY THE COMPANY
	<p>All companies that have paid rent on land and property in the Isle of Man during the accounting period are required to complete this section of the return.</p> <ul style="list-style-type: none"> • Where the supporting schedule is not submitted with this return, providing all other relevant sections of the return form are complete, the return form will be accepted and the schedule will be requested separately. •
7	GROUPS
	<p>This section should be used to confirm whether or not the company was a member of a group for the accounting period.</p> <p>This information will be used to ensure that a company is identified as a member of a group for ARI and accounts submission purposes. If one Isle of Man group member is required to submit accounts, all Isle of Man members are required to submit accounts, unless otherwise instructed by the Assessor.</p>
8	SHARE LISTING INFORMATION
	<p>This section of the return should be used to confirm if the company's shares are listed and regularly traded on a stock exchange.</p>
9	SHAREHOLDER INFORMATION
	<p>This section of the return should be used to confirm if the company is incorporated in the Isle of Man and if not, details of the shareholders of the company.</p>

10	ACCOUNTING PERIOD
	<p>This section of the return should be used to inform the Assessor of changes in the accounting period covered by the return form.</p> <ul style="list-style-type: none"> • This section can be left blank if there have been no accounting period changes. • It is important to advise the Assessor of accounting period changes as these periods set the due date for filing of income tax returns and the payment date for income tax. <p>Late notification of a change could result in the issue of late return form penalties, and also the charging of interest on any payments made.</p>
11	DECLARATION
	<p>ALL companies must complete this section of the return form.</p> <ul style="list-style-type: none"> • The return form must be signed by an officer of the company. • The computed amount of income tax payable must be stated, even if it is £0. Any payment must be remitted by the due date for the submission of the return (i.e. with the return where the return is not being submitted until the due date). <p align="center">If this section is not signed the return form will not be accepted.</p> <p align="center">It will be sent back for signature and re-submission.</p>

Appendix 1 – Trade Classification Numbers

TCN Description	TCN Number
Manx Profit	
Agriculture, Forestry & Fishing	20100
Food & Drink	20500
Engineering	21000
Manufacturing	22100
Mining & Quarrying	22200
Landfill	22210
Hydrocarbons	22300
Construction	22500
Property Development	22503
Property Development - Non Isle of Man 0%	22504
Trades/contractors	22530
Utilities	23400
Transport	23500
Shipping	24000
Aircraft Operation	24300
Wholesale Distribution	24500
Retail Distribution	25000
Retail - Food Shops	25050
Retail - Non Food Shops	25060
Insurance	25500
Banking and Bill Discounting	26000

Manx Investment

Rental Income	53500
Post Office Interest	54000
Bank Interest	54500
Building Society Interest	55000
Loan Interest	55300
Dividends received (with no tax or DPC credit)	55500
Dividends received with DPC credit	55501

Overseas Income (untaxed)

UK Profit UK	60600
Lloyds Underwriting	60900
UK Rental Income	62100
UK Post Office Interest	62400
UK Bank Interest	62700
UK Building Society Interest	63000
UK Dividends	63300
UK Loan & Mortgage Interest	63900
UK Debenture Interest	64500
UK Government Securities	64800

Overseas Income (taxed)

UK Profit Taxed	80600
UK Lloyds Underwriting Taxed	80900
UK Rental Income Taxed	82100
UK Post Office Interest Taxed	82400
UK Bank Interest Taxed	82700
UK Building Society Interest Taxed	83000
UK Dividends Taxed	83300
UK Loan & Mortgage Interest Taxed	83900
UK Debenture Interest Taxed	84500
UK Government Securities Taxed	84800

Company Income Tax Return Form – Guidance Note

TCN Description	TCN Number
Other Financial Services	26500
Fund Manager/Administrator	26501
Property owning and management	27000
Estate agents	27001
Other Business Services	27500
Info/communication Technology	27600
Space Industry	27601
Legal Services	28100
Accountancy Services	28200
Trust/company Fiduciary Services	28201
Education	28300
Medical & Health Service	28400
Tourist Accommodation	28500
Other Professional Services	28600
Consultants - General	28603
Catering and Entertainment	29100
Online gaming	29102
Film Production	29200
Miscellaneous Services	29500
Public Administration	29600
Commercial Property Letting	29700

Dividends received with tax credit	55502
Distributions from company reserves	55600
Loan & Mortgage Interest	56500
Debenture Interest	58000
Government Securities	58500
Trust/Estate Income	59000
Investment Products	59500

Trust/Estate Income	65100
UK Investment Products	65400
Overseas Profit	66300
Overseas Rental Income	66900
Overseas Bank Interest	67200
Overseas Dividends	67500
Overseas Debenture Interest	68100
Overseas Government Securities	68400
Overseas Trust/Estate Income	68700

UK Trust/Estate Income Taxed	85100
UK Investment Products Taxed	85400
Overseas Profit Taxed	86300
Overseas Rental Income Taxed	86900
Overseas Bank Interest Taxed	87200
Overseas Dividends Taxed	87500
Overseas Debenture Interest Taxed	88100
Overseas Government Securities Taxed	88400
Overseas Trust/Estate Income Taxed	88700

Any updates to this list will be published on the Income Tax Division's website at www.gov.im/incometax