
PRACTICE NOTE

PN 185/14

Date: 23 July 2014

APPLICATION OF THE EXTRA STATUTORY CONCESSION FOR KEY EMPLOYEES

As it is several years since it was introduced, the Assessor has been asked to provide an update on the application of the Extra Statutory Concession for Key Employees (the "Concession"). This Practice Note therefore contains further information regarding the Concession and how to apply for it. Full details can be found in [Government Circular No. 44/04](#).

The Concession is relevant to potential new Isle of Man residents thinking of establishing new businesses in the Isle Man, as well as existing Isle of Man businesses that, in order to develop or expand, need to bring new key workers to the Island. This Practice Note is therefore relevant to these people and their advisers.

1. Introduction

The Concession was introduced with effect from 6 April 2003 to attract new business and employment to the Island.

2. Application

The Concession is aimed at individuals who are or will be new residents and who are essential to the implementation and the operation of new business in the Island. This could be an entrepreneur setting up the new business itself or a key new employee that an existing business requires to move to the Island in order to expand or develop into a new area or market.

Anyone wishing to apply for the Concession should write to the Assessor of Income Tax and set out in as much detail as possible how they satisfy the terms of the Concession. In most cases the Assessor would expect this to include a business case for the new business together with details of the key employee/s and their role/s. Potential applicants who are unsure about how much detail to provide should contact the Division.

3. New business

To be new business the Assessor must be satisfied that such business:

- a. is in the interests of the economy of the Island; and

- b. is necessary for the purpose of establishing or developing any business undertaking in the Isle of Man; and
- c. will enable the undertaking to provide additional productive employment in the Island.

4. Taxation

For as long as the Concession applies to an individual (see below), whilst they will be resident for income tax purposes and therefore subject to resident income tax rates, allowances and reliefs, their income sources will be treated, for Isle of Man income tax purposes, as if they were not resident in the Island. This therefore has the effect of subjecting only the individual's remuneration from employment, benefits in kind and rent arising from property in the Island to Manx income tax. Any other sources of Manx income or income from outside the Island will not be chargeable to income tax.

If the individual has made a valid election to be jointly assessed for income tax purposes the joint income will fall within the Concession and be subject to tax on the above basis.

5. Time limit

The Concession applies for a maximum of the first three income tax years commencing with the tax year in which the relevant individual becomes resident for tax purposes in the Isle of Man.

The Concession will cease to apply if the individual leaves the employment of the new business or employer within the three year period.

6. Other information

An individual can only benefit from this Concession once. Anyone who falls within this Concession may also be eligible for the National Insurance Holiday Scheme whilst that scheme is in operation.

Nicola Guffogg **Assessor of Income Tax**

This Practice Note is intended only as a general guide and must be read in conjunction with the appropriate legislation. It does not have any binding force and does not affect a person's right of appeal on points concerning their own liability to income tax.

Comments and suggestions for improvements of issued Practice Notes and suggestions for future Practice Notes are always welcome.