



**Isle of Man
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INCOME TAX DIVISION

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PRACTICE NOTE

PN 187/15

Date: 17 February 2015

CORPORATE TAXPAYERS - INCOME FROM LAND AND PROPERTY - CHANGE OF INCOME TAX RATE

Introduction

In the 2015 Budget, the Treasury Minister announced an increase of the 10% rate of income tax to 20% with effect from 6 April 2015 for corporate taxpayers whose income is derived from land within the Island. This includes any income derived from the following:

- Mining and Quarrying
- Landfill
- Property Development
- Commercial Property Letting
- Rental income

Income received by companies derived from land and property situated outside the Isle of Man is subject to the standard rate of corporate income tax of 0%.

Transition

Where a corporate taxpayer's accounting period spans 6 April 2015 when the 20% rate comes into effect, the profits for that period will be apportioned by the number of days in each period.

Example

A Ltd is an Isle of Man resident company which receives rental income from Isle of Man properties. Its accounting year end is 30 June 2015. The taxable profit for the period was £100,000. The tax payable for the period is calculated as follows:

1 July 2014 – 5 April 2015:	$£100,000 \times 279/365 = £76,438 \times 10\% =$	£7,643.80
6 April 2015 – 30 June 2015:	$£100,000 \times 86/365 = £23,562 \times 20\% =$	£4,712.40
	Total tax payable	<u>£12,356.20</u>

Group Relief

Group relief under Schedule 2 of the Income Tax Act 1980 is only available from a surrendering company against income derived from land within the Island taxable at the prescribed 20% rate in the claimant company, if the loss to be surrendered is from a trade or business that would also be subject to the 20% rate of income tax.

If the claimant company has more than one source of income, the group relief must be pro-rated between the income sources and cannot be claimed against only the income derived from land within the Island.

Losses

A loss may only be offset against profit derived from land within the Island if it is also derived from land within the Island.

A company with losses from another trade will not be permitted to offset these losses against any profit derived from land within the Island.

A loss brought forward from a previous year will be allowed to be offset against profits derived from land within the Island of a later year, despite the change in the rates of income tax.

Distributions

Where a distribution is made by a corporate taxpayer out of income which has been charged to Manx income tax at the corporate rate of 20%, the distribution will carry a 20% tax credit to be given as a credit against income tax in the recipient's assessment.

Distributions made from accumulated profits derived from land within the Island which were subject to Manx income tax at the corporate rate of 10% prior to 6 April 2015 will continue to carry 10% tax credits.

Individual taxpayers

Where a distribution of income is received by an Isle of Man resident individual which has been charged to Manx income tax at the corporate rate of 20%, the distribution will be included in their income tax assessment and the tax credit will be offset against their liability. After taking into account the total tax less any other payments, any remaining credit will be refunded, subject to a review of the recipient's overall balance position.

Corporate taxpayers

Where a distribution of income is received by a corporate taxpayer which has been charged to Manx income tax at the corporate rate of 20%, the distribution will be charged at 20% and the tax credit will be offset against the recipient's liability. Where the recipient's liability is less than the value of the tax credit no refund will be available.

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.