

Statutory Document No. 2019/0026



Income Tax Act 1970

INCOME TAX (PERIODICAL PAYMENTS) (TEMPORARY TAXATION) ORDER 2019

*Approved by Tynwald: 19th February 2019
Coming into Operation in accordance with article 2*

The Treasury makes the following Order under section 115A of the Income Tax Act 1970.

1 Title

This Order is the Income Tax (Periodical Payments) (Temporary Taxation) Order 2019.

2 Commencement

If approved by Tynwald¹, this Order comes into operation on the day after it is approved and shall have effect immediately.

3 Amendment of the Income Tax Act 1970

(1) The Income Tax Act 1970 is amended as follows.

(2) After section 16C, insert —

16D Periodical payments of personal injury damages exempt from tax

(1) No liability to income tax arises for the persons specified in section 16E in respect of periodical payments to which subsection (2) applies.

(2) This subsection applies to periodical payments made pursuant to an order of the High Court under section 36A(1) (periodical payments of damages) of the *High Court Act 1991* (including an order as varied).

¹ Tynwald approval is required by section 115A(2) of the Income Tax Act 1970

16E Persons entitled to exemption for personal injury payments

The persons entitled to the exemption in section 16D(1) for periodical payments are —

- (a) the person entitled to the damages under the order in section 16D(2) (“A”);
- (b) a person who receives the payment in question on behalf of A; and
- (c) a trustee who receives the payment in question on trust for the benefit of A, under a trust under which A is, while alive, the only person who may benefit.

16F Payments from trusts for injured persons exempt from tax

(1) No liability to income tax arises for the persons specified in subsection (2) in respect of sums paid under a lifetime trust —

- (a) to the person who is entitled to a payment under an order to which section 16D(2) refers (“A”); or
- (b) for the benefit of A.

(2) The persons are —

- (a) A; and
- (b) if subsection (1)(b) applies, a person who receives the sum on behalf of A.

(3) For the purposes of subsection (1), sums are paid under a lifetime trust if they are paid —

- (a) by the trustees of a trust under which A is, while alive, the only person who may benefit; and
- (b) out of a payment under an order to which section 16D(2) refers, which is received by them on trust for A. **22**.

MADE 23 JANUARY 2019

A L CANNAN
Minister for the Treasury

EXPLANATORY NOTE

(This note is not part of the Order)

This Order is made under section 115A of the Income Tax Act 1970. It amends that Act by inserting three new sections which address the tax treatment of periodical payments made under an order of the High Court on awarding damages for future pecuniary loss in respect of personal injury. The new sections exempt those payments from any liability to income tax in the circumstances specified.