

PRACTICE NOTE

PN 209/20

Date: 18 February 2020

UPDATED 18 March 2020

BUDGET 2020 - INCOME TAX AND NATIONAL INSURANCE PROPOSALS - UPDATED

In his Budget speech today, the Minister for the Treasury, the Hon. A L Cannan, MHK, announced various taxation and National Insurance measures.

This Practice Note contains further information regarding the changes.

Index		Page
1.	Income Tax Allowances and Rates of Tax	1
2.	National Insurance Contributions	2
3.	Tax Cap Election	3
4.	Key Employees Special Treatment	3
5.	Benefit in kind exemption – bicycles	3
6.	National Insurance Holiday Scheme	4

1. INCOME TAX ALLOWANCES AND RATES OF TAX

The following rates and allowances will apply for the 2020/21 tax year commencing on 6 April 2020:-

Personal allowances	2020/21	2019/20
	£	£
Single person	14,250	14,000
Married couple/civil partners (combined)	28,500	28,000
Additional Personal Allowance	6,400	6,400
Blind person	2,900	2,900
Disabled person	2,900	2,900
Co-habiting couple's maximum addition	6,400	6,400

Income tax rates

	2020/21	2019/20
Individuals	%	%
Resident		
Single: Lower rate on first £6,500 [2019/20 - £6,500]	10	10
Married couple/civil partners - jointly assessed: Lower rate on first £13,000 [2019/20 - £13,000]	10	10
Higher rate on balance	20	20
Non-resident:		
Non-resident rate on all income	20	20
Companies		
Banking business	10	10
Land & property in the Isle of Man	20	20
Retail business - profits above £500,000	10	10
All other income	0	0
Other non-corporates	20	20

2. NATIONAL INSURANCE CONTRIBUTIONS

The following rates and thresholds will apply for the 2020/21 tax year commencing on 6 April 2020:-

Item (per week unless stated otherwise)	2020/21	2019/20
Lower Earnings Limit (LEL) *	£120	£118
Upper Accrual Point (UAP)	£770	£770
Upper Earnings Limit (UEL)	£823	£784
Primary Threshold	£138	£125
Secondary Threshold	£138	£125
Prescribed annual equivalent of primary threshold	£7,176	£6,500
Prescribed annual equivalent of secondary threshold	£7,176	£6,500
Class 1 employees' primary rate of NI (between primary threshold and UEL)	11%	11%
Class 1 employees' additional rate of NI (above the UEL)	1%	1%

Class 1 employers' rate of NI (on all earnings above secondary threshold)	12.8%	12.8%
Class 2 rate self-employed	£5.40	£5.40
Class 2 small earnings exception level (annual)	£7,176	£6,500
Class 2 rate for volunteer development workers*	£6.00	£5.90
Class 2 rate for share fishermen	£6.70	£6.70
Class 3 voluntary contributions*	£15.30	£15.00
Class 4 lower profits limit (annual)	£7,176	£6,500
Class 4 upper profits limit (annual)	£42,796	£40,768
Class 4 rate between the lower & upper limits	8%	8%
Class 4 rate above the upper limit	1%	1%

* - **Figures approved at the March sitting of Tynwald following the UK Budget.**

3. TAX CAP ELECTION

For new Tax Cap elections commencing in the 2020-21 tax year, individuals will have the option to elect for a new ten year period whilst the current five year election will also remain available. The maximum income tax liability for an individual will be increased to £200,000 and £400,000 for a jointly assessed couple.

For any existing five year Tax Cap elections which commenced in the 2016/17 to 2019/20 tax years, the amount charged for each year is the value of the Tax Cap applicable in the first tax year covered by the election.

4. KEY EMPLOYEES SPECIAL TREATMENT

From the tax year commencing 6 April 2020, special treatment of individuals who are key employees essential to the implementation and the operation of new business in the Island is introduced. It is broadly based on the workings of the key employee incentive which has operated as a concession since it was first introduced for the 2003/04 income tax year.

Such individuals will be resident for income tax purposes and therefore subject to resident income tax rates, allowances and reliefs but their income sources will be treated, for Isle of Man income tax purposes, as if they were not resident in the Island for a maximum period of three years. This has the effect of subjecting only the individual's remuneration from employment, benefits in kind and rent arising from property in the Island to Isle of Man income tax. Any other sources of Isle of Man income or income from outside the Island will not be chargeable to Isle of Man income tax.

Further information can be found in PN 210/20 - Special Treatment of Key Employees.

5. BENEFIT IN KIND EXEMPTION – BICYCLES

The annual maximum value of the benefit in kind amount that will not be charged to income tax for employers providing employees with bikes and related safety equipment for use between their home and place of work is increased from £1,000 to £1,200 from the 2020/21 tax year.

6. NATIONAL INSURANCE HOLIDAY SCHEME

The scheme which commenced on 6 April 2019 aimed at attracting new people to take up employment and residence in the Island as well as attracting students back to the Island once they have completed their studies elsewhere will continue for a further year.

A person who meets the requirements of the scheme will be able to apply for a refund of the Class 1 National Insurance contributions they pay as an employee during the first 12 months of their employment here.

Further details can be found in PN 207/19 - National Insurance Holiday Scheme.

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.