

Statutory Document No. 2020/0027

*Income Tax Act 1970*

INCOME TAX (KEY EMPLOYEE) (TEMPORARY TAXATION) ORDER 2020

*Approved by Tynwald: 18th February 2020
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 (Key Employee) (Temporary Taxation) Order 2020.

2 Commencement and application

If approved by Tynwald¹, this Order comes into operation on 6 April 2020 and shall apply in respect of the income tax year commencing 6 April 2020.

3 Amendment of the Income Tax Act 1970

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

(2) After section 2C, insert—

2D Key employee special treatment


(1) This section—

- (a) applies to a key employee: and
- (b) cannot apply more than once to any key employee.

(2) Where this section applies, a key employee—

- (a) shall not be charged to income tax on any non-Manx source income;
- (b) shall be charged to income tax on Manx source income (from all sources) in the same way as a non-resident individual under section 11A of this Act.

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

- (3) Where this section applies and a joint treatment election referred to in section 65A of this Act is in force in respect of a key employee, any income which would otherwise be subject to that election shall be treated in the same manner as the income of the key employee under subsection (2).
- (4) This section shall cease to apply to a key employee on the earlier of—
- (a) the cessation of the key employee’s employment with a relevant business; and
 - (b) the expiry of a period of 3 years beginning with the day on which the key employee commenced employment with the relevant business.
- (5) Where the Assessor is of the opinion that the application of this section is being or is likely to be abused (for example where one or more of the conditions referred to in subsection (7) has ceased to apply or has not applied), the Assessor may determine that this section ceases to apply to a key employee with immediate effect.
- (6) “**Key employee**” means an employee who—
- (a) is required by his employer to take up residence in the Island in order to perform the services for which he is employed; and
 - (b) is essential to the implementation and operation of a relevant business in the Island.
- (7) “**Relevant business**” means a business whose activities consist of, or include, an activity which in the opinion of the Assessor satisfies all of the following conditions—
- (a) the activity is in the interests of the economy of the Island;
 - (b) the activity is for the purpose of establishing or developing in the Island the relevant business or any other business; and
 - (c) the activity provides or will provide additional productive employment in the Island. .

MADE 28 JAN 2020

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 a new section 2D which provides for a special tax treatment for certain key employees. The key employee incentive has operated as a concession since it was first introduced for the 2003/04 income tax year and is now enacted into primary legislation.