

PRACTICE NOTE

PN 214/21

Date: 16 February 2021

UPDATED 17 March 2021

BUDGET 2021 - INCOME TAX AND NATIONAL INSURANCE PROPOSALS - UPDATED

This Practice Note confirms the following taxation and National Insurance measures with effect from 6 April 2021.

1. Income Tax Allowances and Rates of Tax
2. National Insurance Contributions
3. National Insurance Holiday Scheme

1. INCOME TAX ALLOWANCES AND RATES OF TAX

The following rates and allowances will apply for the 2021/22 tax year commencing on 6 April 2021:-

Personal allowances	2021/22	2020/21
	£	£
Single person	14,250	14,250
Married couple/civil partners (combined)	28,500	28,500
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

	2021/22	2020/21
Individuals	%	%
Resident		
Single: Lower rate on first £6,500 [2020/21 - £6,500]	10	10

Married couple/civil partners - jointly assessed: Lower rate on first £13,000 [2020/21 - £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 2021/22 tax year commencing on 6 April 2021:-

Item (per week unless stated otherwise)	2021/22	2020/21
Lower Earnings Limit (LEL)*	£120	£120
Upper Accrual Point (UAP)	N/A	£770
Upper Earnings Limit (UEL)	£823	£823
Primary Threshold	£138	£138
Secondary Threshold	£138	£138
Prescribed annual equivalent of primary threshold	£7,176	£7,176
Prescribed annual equivalent of secondary threshold	£7,176	£7,176
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	£7,176
Class 2 rate for volunteer development workers*	£6.00	£6.00
Class 2 rate for share fishermen	£6.70	£6.70

Class 3 voluntary contributions*	£15.40	£15.30
Class 4 lower profits limit (annual)	£7,176	£7,176
Class 4 upper profits limit (annual)	£42,796	£42,796
Class 4 rate between the lower & upper limits	8%	8%
Class 4 rate above the upper limit	1%	1%

* - Please note that these figures will not be announced until after the UK Budget and will be subject to approval by Tynwald in March.

3. 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 can 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.

As a result of the COVID-19 pandemic the scheme has been amended to ensure that individuals who claimed Manx Earnings Replacement Allowance (MERA) or received a reduced salary from their employer who claimed Salary Support are not adversely affected.

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

Nicola Guffogg
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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.