



## Isle of Man Government

Reillys Ellan Vannin

# INCOME TAX

## INCOME TAX

### 1. Introduction

Income tax was first introduced in the Isle of Man by the Income Tax Act 1918 which is described in its preamble as being "An Act to provide for a Tax on income". The system of income tax in the Isle of Man that the Income Tax Act 1918 introduced was based broadly upon the system then in operation in the United Kingdom and in many respects the similarities remain. This is an important factor as regards the interpretation of the provisions of the Manx Income Tax Acts because in a case where the interpretation of a provision or an expression in those Acts has been the subject of an appeal in the courts of the United Kingdom, the judgment in that appeal is a persuasive authority for the adoption of the same interpretation in a similar case in the Isle of Man.

The Income Tax Act 1918 was followed by successive amending Acts in the years that followed until the then existing legislation was consolidated in the Income Tax Act 1946. This was, in turn, followed by successive amending Acts until the then existing legislation was consolidated in the Income Tax Act 1970.

The Income Tax Act 1970 has since been amended by the —

- (i) Income Tax Act 1971;
- (ii) Income Tax Act 1973;
- (iii) Income Tax Act 1974;
- (iv) Income Tax Act 1976;
- (v) Income Tax Act 1978;
- (vi) Income Tax (Retirement Benefit Schemes) Act 1978;

and

- (vii) Income Tax (Amendment) Act 1979.

These Acts are collectively referred to as being "the Income Tax Acts 1970 to 1979". Section 120 of the Income Tax Act 1970 includes the following definitions —

"Income Tax Acts" means this Act and any other enactment relating to income tax;

"Manx income tax" and "Manx tax" means income tax payable under the Income Tax Acts.

The Income Tax Bill 1979 contains the new income tax provisions that were proposed by the Finance Board as a part of the Budget for 1979/80. The Bill was given its first and second readings by the House of Keys on 30th October and 6th November, 1979, respectively. It was then referred to a Select Committee for consideration. As it is unlikely to complete all its stages and obtain the Royal Assent before some time in 1980, the Bill is likely to be known as the Income Tax Act 1980 when it is enacted. It is proposed that the provisions of this Bill, when enacted, shall have effect in respect of the income tax year commencing on 6th April, 1979, and of each succeeding income tax year.

# Students & School Leavers

## Guidance Note GN 10

**PLEASE NOTE:**

This guidance has no binding force and does not affect your right of appeal on points concerning your liability to tax.

The information in this booklet can be provided in large print on request.

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## **Introduction**

### **1. Income tax, school leavers & students**

The aim of this leaflet is to help you to understand the basics of the income tax system and to explain how it will affect you after you leave school or become a full-time student.

### **2. What is income tax?**

Income tax is your contribution to what the Government spends on public services. Everyone who earns or receives income in the tax year may pay tax on it. The amount of tax that you pay depends on your personal circumstances. The tax year does not follow the calendar year but runs from 6 April of one year to 5 April of the next.

If you work for somebody they will usually take the tax from your wages or salary each time they pay you and pass it on to the Income Tax Division. This is known as the ITIP (Income Tax Instalment Payments) system.

### **3. What do I pay tax on?**

You normally pay tax on all kinds of earnings including wages, tips, bonuses, part-time work and on interest from banks, etc. or any income from deeds of covenant. Some Social Security benefits are taxable, others are not. For example, sickness benefit is not taxable, but income support is.

You do not pay tax on:

- student grants
- scholarships
- most research awards.

## **School leaver**

### **4. Do I pay tax on everything I earn?**

Everyone can earn or receive a certain amount of income without paying tax on it. This is called the **personal allowance**. The amount will depend on your personal circumstances, e.g. whether you are single, married and living with your spouse, a single parent etc. If your income is more than the personal allowance, you will probably pay some tax at the standard rate of 10% and may even pay some tax at the prescribed higher rate.

## **5. Can I claim expenses?**

Most people in jobs cannot claim expenses for tax purposes. The cost of tools or protective clothing used at work can sometimes be claimed if they are not provided by your employer. You cannot claim for National Insurance Contributions or the cost of travelling to and from work.

## **6. When do I start to pay income tax?**

You will probably start to pay tax when you get your first job.

If you go straight to a job when you leave school, you should contact this office as soon as possible and ask for a School Leaver – Personal Details Form (T18).

A tax code will then be issued to you and your employer, which determines how much tax will be taken from your wages when you are paid. If you do not complete one of the personal details forms, the amount of tax deducted from your wages or salary might be incorrect.

## **Student**

### **7. I am a placement student – what is my position?**

The pay you get during practical training from an employer is taxable.

### **8. Do I get any tax allowances?**

**If you live in the Isle of Man** you will be entitled to claim personal allowances. The amount of allowances will depend on your personal circumstances, e.g. whether you are single, married and living with your spouse, a single parent etc.

**If you do not live in the Isle of Man** the rules are different: and income from the Isle of Man may have tax deducted at source at the prescribed higher rate of income tax in some circumstances.

### **9. What about covenants?**

A deed of covenant is a legally binding undertaking whereby a person, usually a parent or grandparent, promises to pay an amount to a student aged between 18 and 25 and in full-time higher education. A deed of covenant may also be made if the student is aged between 16 and 18, their course fees are paid by the Department of Education, and they meet some other conditions.

Income received under a covenant is taxable and must be declared on your tax return. This form of income needs to be taken into consideration when deciding what tax code is appropriate for you.

The person making the covenant payment can claim a corresponding amount as a deduction from income tax; which has the effect of reducing the amount of tax they pay.

Please note that tax relief in respect of educational deeds of covenant is restricted to payments made under covenants that have been entered into on or before 5 April 2011 and where the student is in qualifying full time education at that date.

### **10. What should I do if I get a holiday job in the Isle of Man?**

If you think your total income (including earnings, DHSS benefits and bank interest etc) in the whole tax year is likely to be **less** than the single person's allowance, you should contact the Income Tax Division to request and complete forms T18 and R104.

Your employer will then be issued with a „no tax“ (NT) code which will mean that you can be paid without any deduction of tax. If your taxable income is more than the personal allowance you will have to pay tax on the difference between the two amounts.

### **11. What happens if I claim benefit while unemployed during a vacation?**

No tax will be deducted from your benefit when it is paid to you, but you must declare it on your tax return (see next section) because this benefit is taxable. You will only need to pay tax if the total amount of your income for the tax year exceeds your personal allowance.

## **Tax returns**

### **12. Will I have to complete a tax return?**

**If you live in the Isle of Man** and you are aged 16 or over you will be sent a tax return every year. You **must** complete and return it to the Income Tax Division.

**If you live in the Isle of Man** and you are under the age of 16, you will not have to complete a tax return unless ITIP has been deducted from wages or you have other income.

**If you do not live in the Isle of Man** and you do not have any other income liable to Manx income tax you will not need to complete a tax return.

If you should have been sent a tax return and you did not receive one, please ask for one to be sent to you.

### **13. What will happen if I don't complete a tax return?**

If you fail to send in your completed tax return by 6 October following the end of the tax year an initial penalty of £100 will be charged. A further penalty of £200 will be charged if your tax

return remains outstanding on the following 6 April, (the dates may be different if you cease residence in the Isle of Man).

Further details are available in leaflet GN 35, called Income Tax Return – Penalty for Non-Submission, which is available on the Division’s website or on request by contacting the Division (see page 8).

## **Making a payment to Income Tax Division**

### **14. What methods of payment are available?**

**Online** – you can pay online with a credit or debit card after registering and enrolling for Online Tax Services at [www.gov.im/incometax](http://www.gov.im/incometax).

**By Debit/Credit Card** – we accept most debit and credit cards. You can pay either over the phone, online or at our counter. Please ring (01624) 685400 during normal office hours to pay over the phone.

**By Bank Giro Credit** – present the payment counterfoil with your remittance at any bank. A bank account is not required to use this facility.

**By Post** – make sure that the payment counterfoil is enclosed. Cash should only be sent through the post by Special Delivery.

**At the Income Tax Division** – 2<sup>nd</sup> Floor, Government Office, Douglas. See our Opening Hours.

Cheques and postal orders should be made payable to the “Isle of Man Government” and crossed. Post-dated cheques are not acceptable. A receipt will only be issued if requested.

## Help

### 15. Where can I go if I need help?

These notes do not cover every point but any queries that you still have can be answered by contacting:

The Treasury  
Income Tax Division  
Second Floor  
Government Office  
Buck's Road  
Douglas  
Isle of Man  
IM1 3TX

Telephone: (01624) 685400

E-mail: [incometax@itd.treasury.gov.im](mailto:incometax@itd.treasury.gov.im)

Website: [www.gov.im/incometax](http://www.gov.im/incometax)