



Isle of Man Government

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INCOME TAX

ISLE OF MAN GOVERNMENT INCOME TAX RATE TABLE CHANGED 1979

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 of the system of income tax as in force 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.

Employer's Guide 2011

This Guidance 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.

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

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Introduction

This guide is intended to provide employers and their agents with information which will assist them in meeting their own or their client's obligations as an employer.

It is advisable for all employers and their agents to familiarise themselves with its contents.

Legislation

The legislation under which the Income Tax Instalment Payments ("ITIP") system operates, and which defines employer obligations, is covered within the following Acts passed by Tynwald:

- Income Tax (Instalment Payments) Act 1974;
- Income Tax (Amendment) Act 1986.

In addition, the following regulations and orders have been passed to supplement the above Acts of Tynwald:

- Income Tax (Modified ITIP) Regulations 1987 [Government Circular No 92/87];
- Income Tax (Instalment Payments) (Temporary Taxation) Order 2010 [Statutory Document No 21/10]. Font changed

The Isle of Man ITIP scheme

ITIP stands for Income Tax Instalment Payments and the ITIP scheme is the way in which tax is deducted from an employee's remuneration (where applicable) by an employer on each pay day. The amount deducted should be paid to the Income Tax Division on a monthly basis. It is then credited to the appropriate employee at the end of the tax year and offset against the income tax payable on that employee's assessment.

The scheme covers everyone who receives remuneration and includes employees, office holders such as directors, and pensioners. Any remuneration is subject to ITIP and tax should be deducted in accordance with the individual's tax code.

For the purposes of ITIP, "remuneration" means any payment of salary, wages, fees, pensions or annuities.

Examples of remuneration include the following:

- advances of pay;
- back pay;
- bonus, including Christmas bonus;
- cash payments;
- commission;
- expenses (unless dispensation granted);
- fees (including some director's fees);
- holiday pay;
- payments after cessation of employment;
- pensions and annuities;
- prizes, cash incentive;
- pound sum expenses;
- salary;
- sick pay;
- termination payments over £30,000 (balance only);

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- honoraria;
- overtime;
- pay in lieu of notice;
- tips/troncs;
- wages.

If an employer is not sure whether a payment should be subject to ITIP, they should contact the Income Tax Division for clarification as failure to deduct ITIP when required will result in the employer being liable for that deduction.

I want to know if I am an employer for the purposes of the scheme

An employer is any person, (which includes any individual, company, partnership or public body) who engages or hires the services of someone and in return pays a wage or fixed payment.

However, there is sometimes a fine line between employment and self-employment. Listed below are some guidelines which should assist in determining an individual's employment status.

A person will probably be an employer paying an employee if:

- the individual works wholly or mainly for the person's business;
- the individual works set hours or a given number of hours per week/month;
- the individual is paid so much per hour, per week or per month;
- the individual works at the business premises or at a place decided by the person;
- the individual is instructed by the person regarding what job to do;
- the individual receives sick pay and has an annual holiday entitlement.

A person will probably not be an employer but will be paying a self-employed individual if:

- the individual is ultimately responsible for how their business is run, and has risked their own capital in their business and therefore, they are responsible for their profit or loss;
- the individual decides how to undertake a job and when and where they do it;
- the individual provides their own major items of equipment;
- the individual hires other people on their own conditions to undertake a job;
- the individual has to correct unsatisfactory work at their own expense;
- the individual invoices the person for the work they have carried out.

An individual's employment status can be confirmed by the Income Tax Division and the Department of Social Care; it cannot be decided by a personal agreement between parties. If there is any doubt, please contact the Division.

I want to know which type of payments fall within the scheme

The scheme covers everyone who receives remuneration and includes employees, office holders such as directors, and pensioners. Any remuneration is subject to ITIP and tax should be deducted in accordance with the individual's tax code.

For the purposes of ITIP, "remuneration" means any payment of salary, wages, fees, pensions or annuities.

Examples of remuneration include the following:

- advances of pay;
- back pay;
- bonus, including Christmas bonus;
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- commission;
- expenses (unless dispensation granted);
- fees (including some director's fees);
- holiday pay;
- honoraria;
- overtime;
- pay in lieu of notice;
- payments after cessation of employment;
- pensions and annuities;
- prizes, cash incentive;
- pound sum expenses;
- salary;
- sick pay;
- termination payments over £30,000 (balance only);
- tips/troncs;
- wages.

If an employer is not sure whether a payment should be subject to ITIP, they should contact the Income Tax Division for clarification as failure to deduct ITIP when required will result in the employer being liable for that deduction.

I want to know how I notify the Division of my intention to be an employer

Every person who employs one or more individuals must notify the Income Tax Division of their intention to become an employer no later than 14 days from beginning to pay remuneration to their employee(s). This notification is required in all cases, irrespective of the number of employees or the amount of remuneration paid.

The notification should be made by submission of the Employer's Registration Form T30i for private employers and sole traders, T30x for partnerships, T30c for Limited Companies or T30p for pension providers. Notification is also a requirement in cases where the employee is a director of the company.

The Division will require the names and addresses of both the employer and the business or, if the employer is a Limited Company, the registered office address together with details of the directors. The employer will also need to supply the date they engaged or intend to engage their first employee(s) and the approximate number, if they are not already engaged.

If employees are already engaged, the employer must, at the same time, supply the full name and address of each employee, the employee's tax reference number, National Insurance number, payroll number and the date their employment commenced using form T20 "Employee Commencing". This information should be supplied with the notification form. Details of employees engaged after the notification form has been submitted should be sent to the Division

within 14 days of the date of their engagement.

Once the notification form has been received by the Division, an information pack including all the necessary documentation will be issued.

Failure to notify the Division within the specified period will result in a penalty of £250.

I want to know how I notify the Division of the details of my employees

Details of employees engaged at the time of commencing as an employer must be sent to the Income Tax Division with the Employer's Registration Form. Details of employees engaged after commencing as an employer must be submitted within 14 days of the date of their engagement while details of those who are no longer employed must be submitted within 14 days of the date on which their employment ends.

In all cases, details of new employees should be submitted on form T20 "Employee Commencing" and details of those leaving should be submitted on form T21 "Employee's Leaving Certificate".

By enrolling for Online Tax Services for Employers, these forms can be completed and submitted online. For more information about these services, please see ["Online Tax Services for Employers"](#).

It is vital that the Division knows when a person begins work for a new employer in order that the correct tax code can be issued to that employer. It is equally important that the Division knows when they leave an employment as otherwise it could believe that a person has two employments and therefore issue a code of reduced allowances to the new employer.

An employer should complete form T20 for each employee on each separate occasion that they employ them as well as completing form T21 each time they leave. An employer must submit forms T20 and T21 for all employees, irrespective of age.

If an employee dies then the employer should complete form T21 and send all three parts of the form to the Division stating the date of death.

If an employee marries, their employer should complete form T21 and send all three parts to the Division stating the date of the marriage. The employer should continue using the existing tax code until they receive a form T6 advising them of the new code to be used.

At the end of the tax year only one T14 "Isle of Man ITIP and National Insurance Deduction Card" covering the full tax year should be completed and a copy given to the employee in the normal way.

If an employee retires, then unless the employee is going to start receiving an occupational pension, the employer should send all three parts of the form to the Division stating the date of retirement.

However, if the employee is going to start receive an occupational pension, the employer should send in Part 1 stating the date of retirement, together with Part 3 giving the employer's pension reference number. The employer should continue to use the code on Part 2. Employers should

note that if the occupational pension is going to be administered by an insurance company, then Parts 2 and 3 should either be given to the employee when they retire or forwarded direct to the insurance company.

Failure to submit fully completed starting and leaving forms within the specified period could result in a penalty of £250.

I want to know about keeping payroll records

Every employer must complete and retain all records and supporting documents required to enable them to submit a true and complete return form and to comply with the regulations.

Supporting documents include accounts, books, deeds, contracts, vouchers and receipts.

These records must be kept for three years after the end of the tax year to which the return relates and must be produced to the Division upon request.

Failure to maintain, retain or produce these documents on request may result in a penalty of £250.

I want to know how I operate a payroll

Employers are required to operate a payroll in order to ensure that both ITIP and National Insurance deductions are correctly calculated and accounted for.

An employer will need to ensure that their payroll can record all of the following:

- each employee's tax code for easy reference at each pay day;
- the gross remuneration paid to each employee;
- each stage of calculating the ITIP to be deducted at each pay day;
- the amount of any approved superannuation to be deducted from gross pay;
- calculations of National Insurance at each pay day, including total contributions, employee's contributions and employee's contracted-out contributions;
- totals of the above payments and deductions at the end of the year to enable completion of form T14 "Isle of Man ITIP and National Insurance Deduction Card".

To do this an employer is required to make and retain records which will enable them to do the following:

- deduct or adjust ITIP and deduct National Insurance in accordance with the relevant legislation (this will include the issue of a payslip to the employee for each pay period);
- complete their T37 "Employer's Annual Return".

An employer is also required to record and retain the following personal details regarding each of their employees:

- their full name and address;
- their tax reference number and National Insurance number;
- their date of birth and their marital and residential status.

There is no such category as a "casual" employee. An employer must maintain records of payments made to every employee. Form T20 should be sent to the Division when any new employee starts which will result in a tax code being issued by the Division. In addition form T14 must also be completed for each employee including students and schoolchildren (under 16 years of age) and non-residents. The T14s should then be submitted with the T37 annual return.

The employer should ask the employee to complete form T10. If the employer has any difficulty in obtaining the information from the employee, the same details can be obtained from the form T21 "Employee's Leaving Certificate" supplied by the previous employer. Income tax reference numbers and National Insurance numbers can also be obtained from the Income Tax Division. These details are required by the employer in order to complete form T20 "Employee Commencing" and form T21 when the employee leaves. They are also needed at the end of the tax year for completing form T14 and form T9 "Return of Expenses Payments and Benefits", if applicable.

When an employee's circumstances change, the employer should tell the employee to contact the Division with the information. The employee should provide their tax reference number and details of their change of circumstances as this could affect their tax liability, for example:

- marriage;
- separation;
- death of spouse;
- starting to receive State Retirement Pension or any other pension;
- taking on a second job or starting part-time self-employment.

It is important that these records are maintained as under income tax legislation the Division has the power to request and inspect payroll records at any time. Whilst inspections of these records will normally take place in the Division's offices, a Compliance Officer will, if required, visit the employer at their place of work to review and possibly retain the records for further inspection. An employer is legally required to keep all payroll records and supporting documents for three years. For example, records for the tax year ended 5 April 2010 (2009/2010 tax year) should be retained until at least 5 April 2013.

The Division will automatically send some items of stationery required to the employer. Other items may be downloaded from the ["Forms"](#) page of the Division's website or can be requested using form T31 "Stationery Request".

Alternatively, enrolling for Online Tax Services for Employers will mean that forms can be completed and submitted online. For more information, please see "Online Tax Services for

Employers”.

If an employer is not using a computerised system and would prefer not to use an ordinary wage book, they can contact the Division for a form T11 “Deductions Working Sheet”, which should assist in calculating wages or salaries.

Each T11 should be used to record the details of one employee's earnings and deductions for a year and is designed to make it easier to calculate the totals at the year end.

I want to know about employee's tax codes

An employee's tax code is used by the employer to calculate how much ITIP to deduct from the employee's remuneration.

The code, which will be shown on form T6 “Listing of Employee's Codes” issued by the Income Tax Division, consists of one, two, three or four numbers followed by a suffix letter: F, M or S.

There are also three non-numeric codes as follows:

- NT – no tax deducted;
- SB – no allowances, and tax to be deducted at the standard rate (10%) using Table D, with any excess taxed at the higher rate (20%) using Table C;
- HR – no allowances, and tax to be deducted at the higher rate (20%) using Table C.

The purpose of the suffix letters F, M and S is to enable code numbers to be altered without the Division having to issue individual revised codes for each employee when changes to the levels of personal allowances are announced in the Budget.

Employee's codes can change during the tax year. Once an employer has received a new code for an employee, they should operate the new code for all payments made to that employee after the effective date shown on the notice. They should not recalculate the tax due in respect of previous payments.

Before the commencement of a new tax year a form T6 will be issued by the Division in mid-March, giving details of the codes to be used for each employee. These codes should be used with effect from the first pay day on or after 6 April. If, by the end of March, an employer has not been notified of the code to be used for any of their employees, they should contact the Division who will arrange for a code to be issued. In the meantime, if a code was issued for the previous year, the employer should continue to use the previous year's code for any RESIDENT employee. However, if no code has been issued for the year in respect of a NON-RESIDENT employee, the employer should not use any previous code, but should instead ensure that code HR is applied.

If an employer has not received notification of the code to be used for an employee by 5 April and has not completed form T20 “Employee Commencing” for that employee, they should complete and submit the form to the Division immediately. Until the code has been issued by the Division the employer should operate the emergency code applicable to the employee, including students and school children.

If the employer has not received a code for the student or school child they are employing, they must use the appropriate emergency code. If the remuneration is going to be greater than the free pay available under the emergency code, the employee should be asked to complete form R104 "Resident Student Declaration". This will enable the Division to establish whether the total income for the year is going to be less than the single person's allowance, in which case code NT will be authorised.

From 6 April 2010, the emergency codes to be applied in cases where no previous code has been issued in respect of an employee are shown below.

For RESIDENT employees:

- person in subsidiary employment SB 10/20%;
- person receiving state retirement pension SB 10/20%;
- all other cases 930S 10/20%.

For NON-RESIDENT employees:

- all cases HR 20%.

I want to know about ITIP and National Insurance deductions

Employers have an obligation to calculate and deduct both ITIP and National Insurance from remuneration paid to employees.

To arrive at the taxable pay, an employer should first deduct from the gross remuneration:

- allowable superannuation contributions for the period;
- the free pay shown in the weekly or monthly Free Pay Tables for the employee's tax code.

They should then look up the taxable pay figure in the Standard Band Tax Tables (Table D), which will show the amount of ITIP to be deducted. The employer should note, however, that if the amount of taxable pay exceeds the current threshold for the standard band, the balance should be taxed using the Higher Rate Tax Tables (Table C).

The free pay tables do not contain all the code numbers. Therefore, if the code is greater than the maximum shown in the tables, the free pay can be established as follows:

- example 1 - code 1600 (an even number) – double the free pay allowances for 800;
- example 2 - code 1601 (an odd number) – add together the free pay figures for adjacent codes 800 and 801.

If an employer fails to deduct ITIP from any remuneration when required to do so by the employee's tax code, they will be liable for any ITIP that should have been deducted. They may

also be liable to a penalty of £250 for failure to comply with the regulations. It is therefore important to verify the employee's code prior to any payment of remuneration being made.

If in doubt, the employer should contact the Division to clarify whether a payment should be subject to ITIP deductions.

I want to know about the remittance of ITIP and National Insurance deductions

Employers are required to submit their T35 "Remittance Card for Deductions of Income Tax Instalment Payments and National Insurance Contributions" together with any payment of ITIP and National Insurance deducted from employees to the Income Tax Division on a monthly basis. The submission of the remittance card and payment is due on or before the 19th of the month within which the payment period ends.

The term "payment period" for the purposes of this guide refers to an income tax month, being the period from the 6th day of any calendar month and ending on the 5th day of the following calendar month. For example, a period commencing on 6th April will end on 5th May, with the payment of any ITIP and National Insurance deducted during that payment period being due on or before 19th May.

Before submitting the remittance card, the employer should add up all the ITIP and National Insurance deducted (both employee's and employer's) for all their employees from payments made between the 6th day of the previous month and the 5th day of the current month. The ITIP and National Insurance totals should be entered on the remittance card which should then be sent together with any payment to the Division.

The remittance card should still be submitted if no tax has been deducted during the payment period. In this case, the remittance card should be completed showing "0.00" for the relevant payment period.

Employers should note that by enrolling for Online Tax Services for Employers their monthly remittance can be made online, (including a nil remittance), therefore removing the need for the remittance card to be sent to the Division each month. Payments can be made by BACS credit transfer, credit card or debit card. For more information, please see ["Online Tax Services for Employers"](#).

It is important to understand that the employer is deducting ITIP and National Insurance from the payments made to employees on behalf of the Division. The deductions do not belong to the employer and must not be used to assist with cash flow within their business. The ITIP and National Insurance deducted belong to the employee and will be used to offset any future income tax liability belonging to that employee as well as being taken into account for National Insurance purposes if appropriate.

Late payment of the monthly ITIP remittance will be subject to a penalty of 5% of the amount due. An additional penalty will be due if all or part of the ITIP outstanding remains unpaid six months after the due date. The additional penalty will be 5% of the amount unpaid.

Penalties for late payment of the monthly remittance will also be due:

- if investigations or payroll inspections identify that an underpayment has arisen for any payment period;
- on outstanding remittances for which an arrangement is in place allowing the employer to make payments over an agreed period of time;
- if the 19th of the month falls on a non-working day and the payment is made after the next working day. The payments are due **on or before** the 19th of the month within which the payment period ends.

In addition, a Notice of Determination, estimating the amount of ITIP that should have been paid, will be issued in cases where payment is not made by the due date. The penalty will equal 5% of the amount of the Notice of Determination.

It is therefore important that all payments are made on time.

Where payment is made late, any subsequent payments will, unless otherwise specified by the employer, be offset against the earliest outstanding amount first.

I want to know about the submission of employer's annual returns

Each employer is required to submit a T37 "Employer's Annual Return" within 30 days of the end of the tax year to which the return relates or within 30 days from ceasing to be an employer, whichever is the earlier.

The return should be completed fully and accurately. It should also be accompanied by a complete and accurate T14 "Isle of Man ITIP and National Insurance Deduction Card" for each employee employed during the tax year. A T14 must be completed for an employee even if no ITIP or National Insurance was deducted from payments of remuneration made to them during the tax year.

In addition, where benefits in kind are provided to employees, a complete and accurate T9 "Return of Expenses Payments and Benefits" must be completed for each employee employed during the tax year who received benefits in kind.

The employer's annual return summarises the following:

- the number of T14s enclosed with the return;
- the total amount of ITIP deducted from employees during the year;
- the total amount of National Insurance paid during the year;
- the total payments made to employees during the year;
- the number of employees in receipt of benefits for whom T9s are required.

Failure to complete the return fully and accurately may result in it being deemed to be unacceptable and returned to the employer to be fully completed. The Income Tax Division will treat such returns in the same manner as other outstanding employer returns.

Practice Note P.N. 169/11 contains examples of returns which will not be considered as complete, as follows;

1. Unsigned annual return - if an annual return has not been signed, it will be returned to the employer for signature. Where the original unsigned return was received by the due date, no penalty will be charged, if the form was otherwise complete and accurate.
2. No annual return received - if the required forms T14 and, where appropriate, T9, are received without the annual return (for example, via email or on disc), the employer will be contacted and, if the return is not submitted by the due date, penalties will be charged.
3. Annual return received but not all required forms T14 and T9 received - if an annual return is received by the due date but some of the required documentation is missing, the employer will be asked to provide the missing items. If the documentation requested is not received by the due date, late return penalties will be charged.
4. Annual return not fully completed - if the annual return is not fully completed, it will be returned to the employer for amendment. If the completed return is not received by the due date, penalties will be charged.
5. Forms T14 not fully completed - if the forms T14 are not fully completed, the employer will be contacted and asked for the missing information. If the information is not received by the due date, penalties will be charged.
6. Forms T9 not fully completed - if any forms T9 are not fully completed, the employer will be contacted and asked for the missing information. If the information is not received by the due date, penalties will be charged.

In each of examples 2 - 6 above, if the employer does not provide the required documentation by the due date, a penalty of £250 will be charged. Further penalties of £50 per day will be charged, commencing from the day after that on which the £250 penalty is charged, until everything required has been submitted. The level of penalty charged is not linked to how many documents remain outstanding

Information omitted from a return

If an employer completes a return to the best of their knowledge which is accepted by the Assessor but an omission is subsequently identified (e.g. an officer discovers that a taxable benefit-in-kind should have been on the return), no penalty will be charged if the relevant forms are submitted, and any payment due is made, within 30 days of the employer being notified of the omission.

If the return is still outstanding six months after the due date, the case will be referred for prosecution action to be taken in respect of the outstanding return and the employer will be liable, on summary conviction, to custody of up to six months or to a fine not exceeding £5,000, or to both.

If an employer ceases during a tax year, they should contact the Division in order for a part year return to be issued for the period from the start of the tax year (6 April) to the date of cessation.

The employer is required to submit this return within 30 days of cessation. If a full and accurate return has not been received by the due date, the same penalties and action will be taken as for a late annual return.

Employers should note that, by enrolling for Online Tax Services for Employers, they can complete and submit their annual return and associated T14s and T9s online. For more information, please see ["Online Tax Services for Employers"](#).

Form T14 is a two-part certificate of earnings in respect of each employee which includes details of gross remuneration, ITIP deductions, National Insurance deductions, etc. The forms can be obtained from the Division at any time during the tax year. Computerised versions of the form on continuous stationery are available from the Information Systems Division of the Department of Economic Development for those employers who use a computerised payroll service.

If the totals on the T37 and T35 do not agree, then the employer should first check through their records to see if they can find the error. If the error cannot be found, they should send the T37 to the Division with as many details of the discrepancy as possible. Further advice can be obtained by contacting the Division.

I want to know how I treat non-resident employees

This section provides guidance on how to treat any employees who are not resident at the time of employment.

There are some differences in the way resident and non-resident employees are treated. An employee who is not resident in the Isle of Man for tax purposes will not be entitled to any personal allowance. The employer should therefore apply the HR code (20%) to any remuneration made to the employee.

This can be very difficult to determine if an employee is resident or non-resident, therefore if the employer has any doubt, they should contact the Income Tax Division for advice.

As a basic guide it can be assumed that a person is resident if:

- they own a property in the Isle of Man or have a lease on a property which is going to last for more than six months; or
- the period to be spent in the Isle of Man in any one tax year (together or separately) is going to exceed 182 days; or
- they have been a regular visitor to the Island over the last four consecutive years and the average time spent in the Island per year in that period was 91 days or more.

An employee who does not fall within any of the above criteria should be treated by an employer as being non-resident.

The current year's code for non-residents should be implemented, which for the tax year 2010/2011 is code HR (20%).

Where employees perform all of their duties off Island they may not require any tax to be deducted from their remuneration. However, prior clearance from the Division must be obtained in all such cases, otherwise the remuneration should be subject to the non-resident code HR (20%). In addition, where only part of the duties are performed in the Isle of Man, tax must be deducted from the whole of the remuneration. An employer should apply code HR (20%) to this income.

However, director's fees paid to a non-resident director will not be subject to ITIP deductions provided that the payment of fees falls within the conditions detailed in the "Directors Fees" section of this guide.

Employers should include ITIP deducted from non-resident employees and from resident employees in the same way on the T35 "Remittance Card for Deductions of Income Tax Instalment Payments and National Insurance Contributions" and submit it on a monthly basis (see "Remittance of ITIP and National Insurance deductions").

Forms T14 "Isle of Man ITIP and National Insurance Deduction Card" must be completed for any non-resident employee and submitted as normal with the employer's annual return. All the personal details for a non-resident employee should be completed in the same way as for a resident employee and should include the following:

- the full name and address of the employee;
- their tax reference number;
- their National Insurance number;
- their payroll number.

Full details of remuneration, together with any ITIP or National Insurance deductions should also be included.

I want to know how I notify details of employees no longer engaged

When an employer ceases to engage an employee, they must advise the Income Tax Division of the date that the employee ceased to be employed by completing and submitting a T21 "Employee's Leaving Certificate". This form should be submitted within 14 days of the employment ceasing.

Failure to submit the form within the specified period could result in a penalty of £250.

I want to know what obligations I have to my employees

An employer has certain obligations in respect of any employees they engage. These obligations are there to assist both the employer and the employee to comply with their income tax requirements.

An employer must ensure that they:

- notify the Income Tax Division of any new employees using form T20 "Employee Commencing" within 14 days of their employment commencing;
- confirm the code to be applied for each employee and deduct ITIP and National Insurance from any payments of remuneration in accordance with the tax and National Insurance tables;
- pay any ITIP and National Insurance deducted to the Division by the due date;
- issue a payslip to the employee each time a payment of remuneration is made;
- complete a T14 "Isle of Man ITIP and National Insurance Deduction Card" at the end of the tax year and give a copy to the employee for their records;
- notify the Division within 14 days of ceasing to engage an employee using form T21 "Employee's Leaving Certificate".

An employer should complete the T14 and give the bottom copy of it to the employee at the end of the tax year. However, if the employee leaves or retires during the year, the employer should complete the T14 and give a copy of it to the employee at that time. The top copy should be retained by the employer until the end of the tax year for submission with the T37 "Employer's Annual Return".

If an employer operates a computerised payroll and cannot produce a T14 during the year, they may instead complete and issue a form T13 "Certificate of Tax and Pay Deducted" which is available from the Division. When the T14 is printed at the year end a copy can then be forwarded to the employee.

If an employee dies, their copy of the T14/T13 should be forwarded to their executors.

In addition, the Employment Act 1991 stipulates that an employer must provide an itemised pay statement to all employees, whether full or part-time, "at or before any payment of wage or salary".

The pay statement must show the following:

- the gross amount of the wages or salary;
- the amount of any fixed deductions, i.e. tax and National Insurance;
- the tax code applied by the employer;
- the amounts of any variable deductions and the purposes for which they were made;
- the net amount of wages or salary after deductions; and
- the amount and payment method of each payment made when different parts of the net amount are paid in different ways e.g. the separate figures for a cash payment and a balance credited to a bank account.

Failure to provide a form T14 or payslip to an employee could result in a £250 penalty for non-compliance.

I want to know about general compliance and penalties

Failure to comply with the Income Tax Instalment Payments Scheme under the provisions of the Income Tax (Instalment Payments) Act 1974 and the regulations made under that Act may result in penalties being imposed. These penalties could be imposed in respect of each instance of non-compliance. These are detailed below;

Late return penalties:

If an employer fails to submit their employer's annual return form T37 within 30 days from the end of the tax year or 30 days from date of ceasing to be an employer they will be liable to a £250 late return penalty, together with a further penalty of £50 per day that the return form remains outstanding.

It is therefore important that you ensure that the return form is fully and accurately completed and submitted by the due date, together with all appropriate supporting documentation in order to avoid such penalties being imposed.

If you engage an agent to complete and submit the return form, you will need to ensure that the agent completes and submits the return form by the due date, otherwise you will remain liable to penalties as you are legally responsible for ensuring that the return form is submitted by the due date.

If the return form is incomplete or not completed accurately, then the return form may be deemed to be unacceptable. In this case the return form will be returned to you for amendment. If the amended return form is not submitted by the due date, then again, you will be liable to penalties for the late submission of a complete return form.

Late payment penalties:

If an employer fails to make payment of any monthly remittance of ITIP deductions by the 19th day of each month, they will be liable to a penalty of 5% of the amount due for payment. Any amount which remains outstanding after a further 6 months will be liable to an additional 5% penalty. This penalty will not be charged where the amount of the penalty is less than £25.

It is therefore important that you make timely payment of the full amount of ITIP deductions due for each payment month in order to avoid the imposition of a penalty.

Failure to comply penalties:

From 6 April 2010, any failure to comply with the legislation will be subject to a penalty of £250, provided that a penalty does not already exist.

This includes the following requirements for employers:

- To notify the Assessor within 14 days of making their first payment as an employer to an employee
- To retain payroll records and other supporting documents i.e. accounts, deeds, receipts, vouchers and contracts for 3 years
- To provide employees with payslips
- To notify the Assessor of new employee details within 14 days of taking on an employee
- To notify the Assessor of the employee details within 14 days of a person ceasing to be an employee
- Any other failure to comply with the Income Tax (Instalment Payments) Act 1974 or associated regulations

I want to know how I treat payments other than ordinary salary

This section is intended to provide guidance on the treatment of payments other than ordinary salary and wages. However, it is only a guide and does not cover all the rules for every situation. If an employer is not sure whether ITIP should be deducted from any payment, they should contact the Income Tax Division for clarification before making the payment gross, as the employer may be liable for any ITIP that should have been deducted.

Benefits in kind

A benefit in kind is 'consideration' that may be offered by an employer to an employee or office holder (e.g. a director) in lieu of cash. It includes benefits enjoyed by the employee's or office holder's family or household. This section is intended to provide some general guidance in respect of benefits in kind, while more detail can be found in GN 40 Benefit in Kind Guide.

Common benefits in kind include provision of a company car, the provision of living accommodation, payment of an employee's personal liabilities, personal use of an asset made available by the employer and transfer of an asset to an employee at less than the market value.

Certain benefits in kind are exempt from an income tax charge. These are listed in the Benefit in Kind Guide. There is also a general exemption from reporting chargeable benefits in kind if the aggregated value of the benefits for the year is less than £400.

The value of a benefit in kind depends on the type of benefit provided. The three main valuation methods are shown below but are covered in more detail within the specific topics in the Benefit in Kind Guide:

- company cars and fuel are valued by reference to form R22(b) Car and Fuel Benefits 2010/11;
- an asset transferred to an employee is usually valued at the market value at the date of transfer;

- the use of a company asset is valued by reference to an annual value.

An employer is required to complete a form T9 "Return of Expenses Payments and Benefits" for every person who receives a taxable benefit in kind during the year. One copy of this form should be given to the employee or director concerned to include with their personal income tax return. A second copy should be submitted with the T37 "Employer's Annual Return". Employers should note that, by enrolling for Online Tax Services for Employers, both of these forms may be submitted online. For more information, please see "Online Tax Services for Employers".

Consultancy fees

Normally, when using the services of a consultant, a contract will be drawn up and the consultant will act in a self-employed capacity.

However, if no contract is drawn up, an employee/employer relationship exists, as set out in "[Am I an employer for the purposes of the scheme?](#)". Alternatively, they may be the holder of an office for the company. In either of these cases, ITIP should be deducted and form T20 "Employee Commencing" submitted.

Director's fees

Form T20 "Employee Commencing" should be submitted for all directors and non-executive directors who are in receipt of directors' fees (except for those meeting the conditions set out in Practice Note 162/10 and Practice Note 163/10). A tax code will then be issued by the Division. ITIP should be deducted in accordance with the code and submitted to the Division using form T35 "Remittance Card for Deductions of Income Tax Instalment Payments and National Insurance Contributions" together with any National Insurance deductions that may be due. (For information about how to make the monthly remittance online, please see "[Online Tax Services for Employers](#)".)

ITIP need not be deducted in the following circumstances;

- Where the director's fees are paid by a company in respect of a directorship held by a member of a Manx professional partnership provided that
 - the directorship is a normal incident of the profession and of the particular practice involved
 - the director's fees form only a small part of the partnerships income, and
 - under the partnership agreement, the fees are pooled for division among the partners.
- Where the director's fees are paid by an Isle of Man company to another Manx company and the Manx company;
 - Has the right to appoint a director (cannot be a specific named person) to the board of the Isle of Man company by virtue of its shareholding in, or formal agreement with, the other company, and
 - The director is required to, and does, hand over to the company any fees or other earnings received in respect of the directorship.
- Where the company had no formal right to appoint a director to the board, but the director is nevertheless required to, and does, hand over the fees to that company, provided it is;

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- A company that is resident in the Isle of Man for income tax purposes, or, if non-resident, is trading through a branch or agency in the Isle of Man so that its income is chargeable to income tax in the Island and the fees form part of that income, and
 - Not a company over which the director has control (for this purpose "control" has the meaning given to it by section 119A of the Income Tax Act 1970, but in determining whether the company is controlled by the director the rights and powers of his spouse, his children and their spouses and his parents will also be taken into account).
- Where the director's fees paid to a non-resident director they will not be subject to ITIP deductions provided that the director's duties are performed wholly outside the Isle of Man or the fees are solely in respect of the carrying out of statutory functions performed within the Isle of Man.
 - Where a non-executive director has a "contract for services" rather than a "contract of service", in which case the director's fees paid to the non-executive director will be treated as self-employment earnings.

In all other cases the a form T20 should be submitted and ITIP should be deducted from any director's fees in accordance with the tax code issued by the Division. A form T14 "Isle of Man ITIP and National Insurance Deduction Card" will also need to be completed and included with the T37 "Employer's Annual Return".

Please note that dividends received by directors are not subject to ITIP.

Expenses

All expenses incurred by an employee and repaid by their employer must be treated as remuneration and put through the payroll in the normal way. The employee should then claim any allowable expenses as deductions against the appropriate income on their personal income tax return.

It has been the Division's practice to grant dispensations allowing employers to reimburse certain payments without deducting ITIP e.g. reasonable subsistence payments to cover living expenses whilst off the Island on business.

If a dispensation has been granted to an employer, the following reimbursements need not be treated as remuneration:

- employees who use their own private motor vehicle for business use (not including home to office travel) and are reimbursed by a fixed 'pence per mile' rate which does not include any profit element;
- reimbursements made in respect of exact expenditure where receipts are provided.

All expense claims must be independently checked and authorised within the company. Dispensations are not normally granted if employees or directors authorise their own expenses. Further details on expenses and dispensations can be found in Practice Note 28/90 Section 3 and Practice Note 28/90 (Supplemental) Section 1, while for information regarding how to apply for a dispensation, please refer to section 3 of GN 40 Benefit in Kind Guide.

Holiday pay, sick pay and back pay

If an employer is about to make a payment of holiday pay to an employee before they leave employment the employer should add the holiday pay on to the normal remuneration and allow free pay for one pay period only.

Any amount of sick pay paid by an employer for a period in which the employee was absent due to sickness must be subjected to ITIP. Any monies recovered from the employee in respect of that period, e.g. the whole or part of the statutory sick pay received by the employee or recovered by way of a pay-out under an employee sickness insurance policy, must be recorded as a trading receipt. If sickness benefit is paid to the employee under the National Insurance Act, the employer should not treat it as remuneration.

Any payments of back pay should have ITIP deducted at the Higher Rate (20%) and the amounts paid and deducted should be included on form T14 "Isle of Man ITIP and National Insurance Deduction Card".

Pension scheme contributions and the taxation of pensions

This section concerns the treatment of contributions made by the employer and/or employee to the employee's pension fund and the taxation of pension payments made to the employee once retired.

The following contributions may be allowed as a deduction via the payroll:

- an employee's ordinary annual contributions to an occupational pension scheme which has been approved by the Assessor of Income Tax (it should be noted that schemes which have been approved or provisionally approved in the UK also require approval in the Isle of Man);
- any special regular or one-off contributions to an occupational scheme paid in order to secure permitted additional benefits (e.g. "added years", "back service", or "improved benefits");
- any contributions to an in-house additional voluntary contributions scheme (AVC scheme) which runs alongside the main scheme.

After deducting the appropriate amount of employee contributions from the gross pay, ITIP may then be calculated in the normal way. The total figure for the employee's scheme payments during the year should be inserted in Box B (Superannuation) of the T14 "Isle of Man ITIP and National Insurance Deduction Card" at the year end to enable the employee to receive the matching tax relief in their assessment.

If an employer has any doubts as to whether the pension scheme has been approved by the Assessor, they should contact the Division before allowing tax relief on any of the contributions described above.

There is a maximum contribution that can be made to a pension scheme. The total contributions, both regular and special, that can be made by an employee to an occupational pension scheme in any tax year must not exceed the annual allowance. For 2010/2011 and subsequent years the

annual allowance is £300,000. If the employee contributes to the main scheme and also contributes to a free standing or group AVC, their total contributions similarly must not exceed the annual allowance.

If an employee, who belongs to an occupational pension scheme, leaves the employment, the following treatment should be applied;

- If the employee has been in the scheme for more than two years, their contributions cannot be refunded to them. However, they may transfer the contributions to an occupational pension scheme provided by the new employer or, if no such scheme exists, they may transfer the contributions to a personal pension plan. Alternatively, the contributions can remain in the original scheme where they will continue to build up until the employee reaches pensionable age.
- If the employee has been in the scheme for less than two years, the scheme administrator may refund the contributions made by the employee. This refund is, however, subject to tax at 7.5% on the full amount. The tax deducted should be sent to the Division with a covering letter and kept separate from any ITIP/NI remittances.

If the employer does not operate an occupational pension scheme, the employer can make contributions to the employee's pension scheme, provided that the total of both employee and employer contributions does not exceed the annual allowance. The employer can claim these contributions as a trading expense but the employee cannot claim relief for their employer's contributions.

Although the employer may be making contributions in respect of their employees, these schemes are not occupational pension schemes and the employees' contributions cannot be treated as superannuation payments. The employer should therefore apply an employee's tax code to their gross pay before deducting the amount of the employee's contributions from the pay. This means that the employee's contribution to the personal pension plan should not be shown in the Superannuation box on form T14. Instead, the employee or employer (see the item below) should notify the Division of the contributions so that the appropriate adjustment can be made to the tax code. This treatment also applies in the case of executive personal pension plans where the principal contributor is the employer and the employee only makes occasional top up contributions to the arrangement.

Note however, that if an employer pays the employee's own contribution, they are providing a benefit in kind as the employer is meeting a pecuniary liability of the employee. The employee can still claim relief for these payments but the employer must supply details of the contributions on form T9 "Return of Expenses Payments and Benefits".

Relocation expenses

By concession, the Division does not tax the benefit which can arise from the payment of relocation expenses by an employer to an employee provided that:

- the payment arose as a direct result of a person moving to the Island to take up employment;
- the payment was reasonable in amount.

Removal expenses paid directly by an employer when an employee takes up residence in the Isle of Man will not be assessed as a benefit in kind provided they do not exceed £10,000 in total.

If the total exceeds £10,000, the amount must be reported on form T9 "Return of Expenses Payments and Benefits" unless prior confirmation has been given by the Division that no benefit arises.

Salary sacrifice arrangements

Under a salary sacrifice arrangement, an employee voluntarily gives up the right to receive part of the salary or wages due under their contract of employment. Usually, the sacrifice is made in return for the employer agreeing to provide the employee with a non-cash benefit of similar value e.g. child minding facilities, pension contributions, etc.

To enter such an arrangement the employee's terms and conditions of employment relating to their pay must be changed, making this a matter of employment law rather than tax law.

The National Insurance contributions paid by both the employee and employer will be reduced to reflect the reduction in salary or wages, as will the tax paid by the employee.

In order to enter into a salary sacrifice arrangement the following conditions must be met:

- the contract of employment between the employee and employer must be changed well in advance of the date on which the first payment under the new arrangement is due to be made to the employee in order to demonstrate that the employee has agreed to give up the right to receive the original higher amount; and
- the revised contract of employment must show that the wage or salary has been genuinely and permanently reduced in exchange for the provision of a benefit; it cannot allow the employee to opt in and out of the arrangement.

Before entering into an arrangement approval must be obtained from the Income Tax Division who will require proof that the above conditions have been met.

Should the employee and employer wish to cancel the arrangement, the Division should be contacted in order to clarify the income tax position.

Share option and similar share schemes

This section concerns the various types of share schemes that can be provided to a company's employees.

Under the Isle of Man Income Tax Acts, an employee is liable to income tax on any income derived from the 'annual profits or gains of or in respect of or from any employment'. This refers to benefits capable of being converted into money such as share options. Share schemes therefore qualify as benefits in kind and form T9 "Return of Expenses Payments and Benefits" should be completed for each employee within the scheme.

However, since 6 April 1989 benefits arising from share option and similar schemes on or after that date are, by concession, exempt from income tax. To qualify for the concession, the schemes must conform to the United Kingdom legislation on the subject and each scheme must be approved by the Assessor of Income Tax in the Isle of Man.

To obtain approval, the following information should be forwarded as appropriate:

- a copy of the rules of the scheme;
- a copy of the trust deed under which the scheme has been established;
- a copy of the form of contract under which the options will be granted;
- a copy of any documents which will be issued to participants in connection with the scheme; and
- a copy of the Inland Revenue/HMRC approval, if appropriate.

In addition, in order to gain approval the scheme must be open to all employees, not just senior managers or key employees.

If a scheme has received approval, then provided that the scheme rules are met, the employee remains employed and the shares are retained for the required period, no tax liability will arise.

However, even though the scheme may be approved, there can be tax implications when an employee ceases to be employed, fails to retain the shares for the required period of time or the scheme rules are not complied with.

Tax implications may also arise where a scheme fails to obtain approval from the Assessor.

In these cases, employees are charged to income tax on the value of the shares granted by the scheme. The charge will be raised for the tax year in which the share option was granted and will be based on the market value of the shares at the time of granting.

By concession, the Assessor will agree to defer the income tax charge to the tax year in which the shares vested, the charge being based on the market value at the time of option or vesting, whichever is the higher.

All taxable proceeds received by employees from share schemes must be reported by the employer using form T9 and sent to the Division with the T37 "Employer's Annual Return".

Failure to comply with the rules of the scheme or to meet the obligations of an employer in reporting taxable proceeds can result in the approval of the scheme being withdrawn. This would make the employees liable to income tax on all transactions under the scheme.

If an employer is uncertain how to treat shares provided to employees, they should contact the Division for clarification.

For more detailed information regarding share option and other similar share schemes, please refer to GN 40 Benefit in Kind Guide.

Termination payments and compromise agreements

Tax should be deducted from the whole of a lump sum payment made to an employee on cessation of employment, unless the payment is a termination payment made on cessation of employment. A termination payment, or the total of these payments if more than one is made, should only be treated as remuneration if it exceeds £30,000 and then ITIP should only be deducted from the amount by which the payment exceeds £30,000 (e.g. if the total payment was £35,000, only £5,000 would be subject to ITIP). The balance in excess of £30,000 should be included in the final pay period and ITIP deducted as normal. The payment over and above £30,000 and the ITIP deducted must be included in boxes A and C respectively of the T14 "Isle of Man ITIP and National Insurance Deduction Card".

It is important to note that a termination payment can be made up of various distinct payments and that not all elements may be treated as non-taxable, even where the total payment does not exceed £30,000. Guidance as to what qualifies as a termination payment is given below.

A termination payment includes:

- compensation for loss of office;
- a redundancy payment;
- an ex-gratia payment on termination of employment where there is no contractual right to that payment.

A termination payment may also be made to compensate for significant changes in the duties or remuneration structure of a continuing employment. If an employer is not sure whether a payment qualifies as a termination payment, they should clarify this with the Division before the payment is made without the deduction of ITIP.

Generally, any payment which would otherwise be taxable under the Income Tax Acts, including benefits in kind, would not be treated as a termination payment. For example, if any of the following payments are made as part of a termination agreement, they would not fall within the definition of a termination payment:

- accrued holiday pay;
- bonuses payable at the termination of a fixed duration contract;
- any payment made as compensation for losing the right to a payment or bonus that would otherwise have been taxable;
- pay in lieu of notice, whether contractual or not (i.e. where an employer gives notice of termination to an individual but informs them that they need not work to the termination date and pays the wages due up to the notice period);
- benefits in kind (for example, the transfer of a company asset such as a car or private residence).

Any payments of this nature should not be included within the £30,000 termination payment limit.

Compromise agreements are treated in the same way as termination payments. Again, it is important for the employer to clarify how each component part should be treated for tax purposes, as they could be held liable for any ITIP which should have been deducted from payments made.

Tips

It is important for an employer to know when tips provided for their employees should be subject to ITIP in order to avoid being liable for any tax that should have been deducted.

An employer should add the amount of any tips to an employee's gross pay and subject them to ITIP in the following circumstances:

- if the employer operates a scheme that pays their employees tips or service charges from customers;
- if the employer decides or influences, directly or indirectly through another person, how tips should be distributed amongst their employees;
- if there is any distinction between the way in which directors and employees take their gratuities;
- if the employee has a contractual entitlement to a share of the tips.

In these cases employers should maintain records of any tips that have been subject to ITIP deductions. The records may be required for inspection and failure to provide them may render the employer liable to a £250 penalty.

However, if an employee receives a tip without ANY involvement or influence from the employer, it is not subject to ITIP. In this case, the individual employee must record the total of these payments on their personal income tax return at the end of the year. This applies to the following tips:

- those paid directly by a customer;
- those left on a table by a customer after a meal;
- those paid through a gratuity put into a staff box or group pot.

If an employer is unsure of how to treat any tip or gratuity, they should contact the Division to clarify whether or not it should be paid via the payroll and subject to ITIP.

Which forms should I use?

A description of each form is shown below.

Form Number	Form Description
T9	A return of expenses payments and benefits to be completed annually by the employer; one copy to be given to the employee and one submitted with the T37 employer's annual return.
T10	To be completed by the employee and retained by the employer as a record of the employee's personal details.
T14	To be completed annually by the employer for each employee; one copy to be given to the employee and one submitted with the T37 employer's annual return.
T20	To be completed by the employer and submitted to the Income Tax Division when a new employee commences employment and does not have a form T21.
T21	To be completed by the employer when an employee ceases employment; the employer should send Part 1 to the Division while Parts 2 & 3 should be given to the employee. Also used to instruct the employer which code to apply when a new employee commences. In this case, the new employee provides Parts 2 & 3 of which the employer should complete Part 3 and send it to the Division while keeping Part 2 as their authority to operate the tax code shown.
T30i	To be completed by private employers and sole traders or partnerships and submitted to the Division within 14 days of becoming an employer.
T30c	To be completed by limited companies and submitted to the Division within 14 days of becoming an employer.
T30x	To be completed by partnerships and submitted to the Division within 14 days of becoming an employer.
T30p	To be completed by pension providers and submitted to the Division within 14 days of becoming a provider.
T31	Stationery request form.
T35	To be completed each month by the employer and submitted to the Division.
T37	Employer's annual return summarising the T14 information and the number of T9s.
T49	A listing issued by the Division in advance of the T37 and showing those employees for whom T14s are expected.

Employers should note that, by enrolling for Online Tax Services for Employers, they can complete many of these forms online. For more information, please see ["Online Tax Services for Employers"](#).

What's new from 6 April 2011?

A number of changes have been introduced which take effect from 6 April 2011 for the 2011/2012 tax year and subsequent years. The changes, together with information regarding changes made during the previous year designed to address employer non-compliance, are outlined below.

National Insurance Rates and thresholds

The rates of NI effective from 6 April 2011 will remain unchanged however the lower earnings limit has been increased to £102 per week, the employees and employers threshold has been increased to £115 per week and the upper earnings limit has increased to £750 per week. More detailed information about the NI rates and limits, together with the NI tables for the 2011/12 tax year can be found on the Division's employers guide on national insurance.

Emergency codes

No changes to emergency codes have been made, therefore, the emergency codes to be applied in cases where no previous code has been issued in respect of an employee are shown below.

For RESIDENT employees:

- person in subsidiary employment SB 10/20%;
- person receiving state retirement pension SB 10/20%;
- all other cases 930S 10/20%.

For NON-RESIDENT employees:

- all cases HR 20%.

Employers should note that, from 6 April 2010, the non-resident allowance is no longer available. Therefore, code HR should also be applied to all existing non-resident employees from that date.

Rates of tax

No changes to rates of tax have been made, therefore, the existing standard rate of tax (SB), higher rate of tax (HR) and the non-resident rate remain at 10%, 20% and 20% respectively and should be applied as appropriate.

The 20% rate of tax should also be used for resident employees if the lower ("standard band") rate (SB) has been exhausted in any pay period.

New measures to address non-compliance

It is important to remember that new measures to address non-compliance were introduced by the Income Tax (Instalment Payments) (Temporary Taxation) Order 2010.

The new measures took effect from 6 April 2010 and enable the Income Tax Division to issue penalties in cases of non-compliance as follows:

- failure to notify the Assessor within 14 days of becoming an employer and making the very first payment as an employer to an employee will result in the issue of a £250 penalty;
- failure to remit the correct amount of ITIP deductions by the due date will result in the issue of a penalty equal to 5% of the amount due; if all or part of the amount due remains outstanding after six months, an additional penalty equal to 5% of the amount outstanding will be issued;
- failure to submit a full and accurate employer's annual return within 30 days of the end of the tax year will result in the issue of a £250 penalty, with a further £50 penalty being due for each day that the return remains outstanding;
- the T9 benefit in kind form is an integral part of the employer's annual return and if any are not submitted with the return when benefits in kind have been provided to employees, the return may be deemed to be incomplete and therefore returned to the employer; the Income Tax Division will treat such returns in the same manner as other outstanding employer returns;
- failure to notify the Assessor within 14 days of engaging a new employee or of ceasing to engage an existing employee could be deemed to be a failure to comply with the regulations and could result in the issue of a £250 penalty;
- failure to retain all records and documents needed to support an employer's annual return and return of benefits in kind for three years following the end of the year to which the return relates will result in the issue of a £250 penalty; similarly, the failure to keep every book, record and document needed to comply with the regulations for a period of three years following the end of the year to which they relate will result in a £250 penalty;
- failure to submit a full and accurate employer's annual return within 30 days of the date of ceasing to be an employer will result in the issue of a £250 penalty, with a further £50 penalty being due for each day that the return remains outstanding;
- failure to comply with any other obligation contained within the Income Tax (Instalment Payments) Act 1974 and Income Tax (Modified ITIP) Regulations 1987 will result in the issue of a £250 penalty if a penalty for non-compliance does not already apply (for example, the failure to supply the employee with a payslip with each payment of remuneration).

Changes affecting benefits in kind

It is also important to remember that a number of changes regarding the tax treatment of vehicles provided to employees were introduced by the Income Tax Act 2008 and applied with effect from 6 April 2009 for the 2009/2010 tax year and subsequent years.

The changes included the following:

- company vehicle and fuel charges are now based on the cylinder capacity only;

- the way in which the charge is determined if two or more vehicles are made available concurrently has altered;
- capital contributions by employees towards the vehicle are disregarded as the charge is based on cylinder capacity only.

To support the changes, an amended form T9 "Return of Expenses Payments and Benefits" is available for use in respect of the 2009/2010 tax year and subsequent years.

For more detail regarding changes to benefits in kind, please refer to the GN 40 Benefit in Kind Guide.

Online Tax Services for Employers

By enrolling for Online Tax Services for Employers it is now possible for an employer, or their agent, to do all of the following online:

- view a list of current and previous employees and tax codes for existing employees;
- submit details of employees commencing or leaving their employment;
- submit changes to an existing employee's details;
- make payments of ITIP and NI (payments can be made by BACS credit transfer, credit card or debit card) or record nil remittances;
- submit their T35 remittance card;
- submit their T37 annual return for tax years ending on or after 5 April 2010 (including part year returns to cessation) with the ability to attach an end of year electronic payroll file if required;
- save and submit T14 details for tax years ending on or after 5 April 2010;
- save and submit T9 benefit in kind details for tax years ending on or after 5 April 2010;
- choose to receive form T6L, listing employee codes, in their secure Online Services Message Box;
- check their payment position for current and previous years;
- check their return position for current and previous years.

Online services provide the user with greater flexibility and can save time and costs, with no need to send the monthly remittance card and other documents by post. Also, as payments are credited at the time they are made, it is possible to see the updated payment position in respect of current and previous years.

To access Online Tax Services for Employers, first register for Isle of Man Government Online Services – login to www.gov.im/onlineservices and follow the instructions.

Contact details

If you have any questions which are not covered in this guide, please contact the Income Tax Division.

Address	The Treasury Income Tax Division Second Floor Government Office Buck's Road Douglas Isle of Man IM1 3TX
Telephone	(01624) 685400
Fax	(01624) 685351
E-mail	incometax@itd.treasury.gov.im
Website	www.gov.im/incometax

Copies of all forms and guides mentioned in this booklet can be obtained from the Division by phoning 01624 685400.