



**Isle of Man  
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## PRACTICE NOTE

**PN 171/12**

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### **BUDGET 2012 – INCOME TAX AND NATIONAL INSURANCE PROPOSALS**

In his Budget speech today, the Minister for the Treasury, the Hon W.E. Teare MHK, announced various taxation and National Insurance measures.

This Practice Note contains further information regarding the changes.

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### **1. INCOME TAX ALLOWANCES AND RATES OF TAX**

The following rates and allowances will apply for the 2012/13 tax year commencing on 6 April 2012:-

<b>Personal allowances</b>	<b>2012/13</b>	<b>(2011/12)</b>
	<b>£</b>	<b>£</b>
Single person	<b>9,300</b>	(9,300)
Married couple/civil partner (combined)	<b>18,600</b>	(18,600)
Additional Personal Allowance	<b>6,400</b>	(6,400)
Blind person	<b>2,900</b>	(2,900)
Disabled person	<b>2,900</b>	(2,900)
Co-habiting couple's maximum addition	<b>6,400</b>	(6,400)
Age Allowance	<b>2,020</b>	(2,020)

<b>Income tax rates</b>	<b>2012/13</b>	(2011/12)
<b>Individuals</b>	<b>%</b>	<b>%</b>
Resident		
Single: Lower rate on first <b>£10,500</b>	<b>10</b>	(10)
Married couple/civil partnership - jointly assessed: Lower rate on first <b>£21,000</b>	<b>10</b>	(10)
Higher rate on balance	<b>20</b>	(20)
Non-resident:		
Non-resident rate on all income	<b>20</b>	(20)
<b>Companies</b>		
Banking business	<b>10</b>	(10)
Land & property in the Isle of Man	<b>10</b>	(10)
All other income	<b>0</b>	(0)
<b>Other non-corporates</b>	<b>20</b>	(20)

## 2. NATIONAL INSURANCE CONTRIBUTIONS

The following rates and thresholds will apply for the 2012/13 tax year commencing on 6 April 2012:-

<b>Item</b> (per week unless stated otherwise)	<b>2012/13</b>	(2011/12)
Lower Earnings Limit (LEL)	<b>£107</b>	£102
Upper Earnings Limit (UEL)	<b>£770</b>	£750
Primary Threshold	<b>£118</b>	£115
Secondary Threshold	<b>£115</b>	£115
Prescribed annual equivalent of primary threshold	<b>£6,136</b>	£5,980
Prescribed annual equivalent of secondary threshold	<b>£5,980</b>	£5,980
Class 1 employees' primary rate of NI (between primary threshold and UEL)	<b>11%</b>	11%
Class 1 employees' additional rate of NI (above the UEL)	<b>1%</b>	1%
Class 1 employers' rate of NI (on all earnings above secondary threshold)	<b>12.8%</b>	12.8%
Class 2 rate self-employed	<b>£2.65</b>	£2.50
Class 2 small earnings exception level (annual)	<b>£5,595</b>	£5,315
Class 2 rate for volunteer development workers	<b>£5.35</b>	£5.10
Class 2 rate for share fishermen	<b>£3.30</b>	£3.15

Class 3 voluntary contributions	<b>£13.25</b>	£12.60
Class 4 lower profits limit (annual)	<b>£6,136</b>	£5,980
Class 4 upper profits limit (annual)	<b>£40,040</b>	£39,000
Class 4 rate between the lower & upper limits	<b>8%</b>	8%
Class 4 rate above the upper limit	<b>1%</b>	1%

### **3. TAX CAP**

The cap of £115,000 on an individual's income tax liability will be increased to £120,000 for the tax year commencing on 6 April 2012.

The tax cap of £120,000 will be doubled for jointly assessed couples.

### **4. PERSONAL ALLOWANCE CREDIT (PAC)**

The PAC is paid to resident individuals who do not fully utilise their personal allowance. The amount of the credit will be reduced to £500 in respect of payments made for the tax year commencing on 6 April 2011 which are paid after 6 April 2012. The current upper income limit is £9,300.

All amounts and limits are doubled for jointly assessed couples.

### **5. MAINTENANCE PAYMENTS**

From 6 April 2012, maintenance received is no longer classed as taxable income and, therefore, individuals in receipt of this income will not be taxed on the amount received. In addition, tax relief for maintenance paid is abolished from 6 April 2012.

### **6. TAX RELIEF FOR DEDUCTIONS**

From 6 April 2012, tax relief is restricted to 10% for deductions available to individuals in respect of interest paid on mortgages or loans, charitable donations or deeds of covenant, private medical insurance payments, nursing expenses and educational deeds of covenant entered into on or before 5 April 2011 and where the student is in qualifying full time education at that date.

### **7. COMPULSORY USE OF ONLINE TAX SERVICES FOR EMPLOYERS**

Following consultation in 2010, the compulsory use of Online Tax Services for employers is introduced, in a phased approach, from 6 April 2012.

The compulsory use of Online Tax Services for employers with more than 100 employees will be introduced from 6 April 2012. The first annual online return, for the year ending 5 April 2013, will be due by 5 May 2013.

Employers with 10 or more employees will be included from 6 April 2013 and compulsory online filing will be introduced for all other employers from 6 April 2014.

The following would be considered as automatic grounds for exemption from compulsory use of Online Tax Services:

- companies with fewer than five employees; and
- those which do not have access to a computer or the internet.

This list is not exhaustive and may be expanded.

The Assessor will also consider, and be able to accept, any reasonable request from an employer who considers that they should be exempt from the compulsory use of Online Tax Services for employers.

## **8. EMPLOYER NATIONAL INSURANCE HOLIDAY**

From 6 April 2012, in order to reduce the costs to employers of taking on additional employees, an employer will be able to apply to the Assessor for exemption from having to pay the secondary National Insurance Contribution where certain conditions are met. The scheme will run for an initial period of two years.

**M Couch**

**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.