

Assessor  
**M Couch**

Telephone: (01624) 685400

Fax: (01624) 685351

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

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

---

---

## **PRACTICE NOTE**

---

---

**PN 146/07**

**Date: 9 October 2007**

### **1. REPEAL OF CORPORATE CHARGE LEGISLATION**

### **2. INTRODUCTION OF CIVIL PENALTIES FOR CORPORATE TAXPAYERS**

#### **INTRODUCTION**

This Practice Note is in two parts; part 1 explains the recent changes to the collection of the Corporate Charge, and part 2 confirms the rate of the civil penalty applicable to corporate taxpayers making late returns.

#### **1. REPEAL OF CORPORATE CHARGE LEGISLATION**

The Corporate Charge was introduced by Part 1 of the Income Tax (Amendment) Act 2006, which added sections 14A to 14D into the Income Tax Act 1970. All Manx resident companies and those foreign companies registered under Part XI of the Companies Act 1931 were liable to the charge, but there were some exemptions prescribed by Order. The charge was set at £250 for the 2006/07 year of assessment and was payable on 1 January 2007.

Following consultation it was agreed that the collection and administration of the Corporate Charge should move from the Income Tax Division to the Financial Supervision Commission (FSC). The move streamlined the administration of the charge for companies and their advisers as it now forms part of the annual fees paid to the FSC. The transfer took place on 6 April 2007 and the payment of the Corporate Charge is now incorporated as part of the annual return form filing fee paid to the FSC. For further details please refer to the FSC's Practice Note 1/2007 "Budget Changes 2007".

The charge collected and administered under the Income Tax Acts, therefore, is in respect of the 2006/07 tax year only. The repeal of any legislation relating to the charge, and any subordinate Regulations and Orders, will be effected by the Income Tax (Amendment) Bill 2007, which is currently progressing through the Branches of Tynwald.

#### **Companies Subject to Income Tax at a Rate of 10%**

It was possible for a company with an income tax liability to claim a reduction in the amount of tax payable up to the amount of Corporate Charge of £250.

Following the transfer to the FSC a deduction has been introduced for the 2007/08 year of assessment to allow companies subject to income tax at 10% to reduce their income tax liability for the year by £250 in recognition of the payment of the increased FSC annual return fee.

The deduction is prescribed in Statutory Document SD 461/07 – Income Tax (Corporate Taxpayers) (Corporate Deduction) Order 2007 and is set at £250. It commences for the 2007/08 year of assessment or, where the company is on a current year basis of assessment, for accounting periods that end after 6 April 2007.

Only one deduction will be allowed in any 12 month period and no refund will be made by the Assessor if the income tax liability is less than £250.

There is no requirement for a claim for this deduction to be made; if it is not included in the company's tax computation, the Assessor will include it when the return is processed and notify the company of the tax liability after the deduction.

### **Existing Liabilities**

Any outstanding Corporate Charges for the 2006/07 year of assessment will continue to be collected and administered by the Income Tax Division.

## **2. INTRODUCTION OF CIVIL PENALTIES FOR CORPORATE TAXPAYERS**

The rates of civil penalty applicable to corporate taxpayers were approved by Tynwald on 19 June 2007 in Statutory Document SD 460/07 - Income Tax (Corporate Taxpayers) (Civil Penalties) Order 2007.

The approved rates are as follows:

- Initial Default - £250

This penalty will be applied if the return is not filed by the due date of 12 months and one day from the end of the accounting period.

- Extended Default - £500

This penalty will be applied if the return is not filed by 18 months and one day from the end of the accounting period.

Civil penalties will apply to those returns for accounting periods ending on or after 6 April 2007, the first of which are due to be filed in April 2008.

In order to make sure that companies and their advisers are aware of the penalties, the Assessor will carry out an awareness campaign early in 2008. Companies will also be sent a reminder letter 6 weeks before the due date for filing their return.

There are also new legislative provisions for criminal prosecution of the company and its officers where a return is not filed within 24 months of the end of the accounting period.

Details on the practical aspects of the civil penalties system for late submission of income tax returns can be found in GN 38 "The Pay and File Income Tax System for Companies" which is available on the Division's website at [www.gov.im/treasury/incometax/technical/payandfile.xml](http://www.gov.im/treasury/incometax/technical/payandfile.xml) , or from the Income Tax General Enquiries counter.

**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.