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PRACTICE NOTE

PN 103/04

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INCOME TAX (AMENDMENT) ACT 2004 – ENACTMENT AND PUBLICATION OF INFORMATION

Introduction

This Practice Note seeks to give an overview regarding the enactment of the Income Tax (Amendment) Act 2004 (the Act), and the availability of guidance for the changes associated with this new Act. It follows on from Practice Note 102/04 issued on 31 March 2004, which detailed the proposals within the Bill.

Enactment of the Provisions of the Act

The Act contains a number of proposals, which form only one part of the phased introduction of the modified Taxation Strategy which has been agreed by Tynwald.

An appointed day order has now been signed by the Minister for the Treasury which enacts the various provisions within the legislation. An extract of the text from the Appointed Day Order is attached at appendix 1 for your convenience.

Where relevant, guidelines are to be published and, once they have been in operation for a period of 12 months, consideration will be given as to whether any of the guidelines should have a more statutory form and be incorporated into primary or subordinate legislation. This proposal was made in PN102/04. Any such draft subordinate legislation would of course be subject to a consultation process.

Published Information

The Act makes changes to a number of provisions, some of which are minor amendments and some which warrant a Practice Note and/or Public Guidance Notes in their own right. A number of methods will be used to publish information over the next few months to cover important points on the major areas of change.

A general leaflet detailing the changes associated with current year basis and payment on account provisions for non-corporates has already been distributed to every household in the Island. The Division proposes to use the same method for the education programme regarding the important changes to return form filing dates and the related penalty regime which will be introduced in 2005.

Practice Notes

Practice Notes are primarily aimed at professionals involved in providing advice to taxpayers on any aspect of taxation. They are published to those people on the current recipients list and also made available on the Divisions website.

The following Practice Notes are being drafted to inform on procedural aspects of the new Act and will be published in due course –

Non Corporate Taxpayers -

- Current Year Basis of Assessment and Payment on Account
- Accounts Basis of Assessment for Trading Income
- Returns and Late Return Penalties
- Dividend Income
- Powers to Obtain Information
- Loss Relief

Corporate Taxpayers

- Overview of changes within the Income Tax (Amendment) Act 2004
- Loans to Participators

Guidance Notes for the Public

The Division has, over a number of years, developed a comprehensive range of public guides under the GN series. They are available on request and at Citizen Advice Centres. A number have been updated in line with the new provisions of the Act and where appropriate older versions relating to earlier assessment years will also continue to be available. These booklets are also available in large print versions on request.

For your information the following GN booklets are available on request from the Division –

- GN3 Basis of Assessment
- GN 4 Self Employment
- GN5 Double Taxation Relief
- GN10 Students and School leavers
- GN13 Separation and Divorce
- GN14 Tax Relief for Private Medical Insurance
- GN15 Personal Pensions
- GN16 Income Tax Instalment Payments and Coding
- GN24 Training Relief
- GN25 Budget Measures 2004
- GN26 Married Couples Taxation
- GN27 Sub-contractors guide
- GN28 Payments to Non-residents
- GN29 Personal Allowance Credits
- GN30 Need help with your return form?

Practitioners Seminars

It is intended to organise a seminar covering some of the more technical aspects of the new Act and related procedures and to inform on progress of the legislative programme.

Invitations will be issued in due course.

I Q Kelly

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.

INCOME TAX (AMENDMENT) ACT 2004
INCOME TAX (AMENDMENT) ACT 2004 (APPOINTED DAY)
ORDER 2004

Laid before Tynwald 2004

Coming into operation on 23 July 2004

In exercise of the powers conferred on the Treasury by Sections 17(2) and 17(4) of the Income Tax (Amendment) Act 2004(a), and of all other enabling powers, the following Order is hereby made:-

Citation

1. This Order may be cited as the Income Tax (Amendment) Act 2004 (Appointed Day) Order 2004.

Interpretation

2. In this Order –
“the Act” means the Income Tax (Amendment) Act 2004;
“the 1970 Act” means the Income Tax Act 1970 (b).

Appointed Day

3. Section 1 of the Act (which amends the assessment base of income tax) shall have effect in respect of the income tax year commencing on 6 April 2004 and subsequent years.
4. Subject to article 18, section 2 of the Act (which amends the date on which tax is due and payable) shall have effect in respect of the income tax year commencing on 6 April 2004 and subsequent years.
5. Section 3 of the Act (which contains new provisions for the payment on account of income tax) shall have effect in respect of the income tax year commencing on 6 April 2004 and subsequent years.
6. Subject to article 19, section 4 of the Act (which amends repayment supplement provisions) shall have effect in respect of the income tax year commencing on 6 April 2005 and subsequent years.
7. Subject to article 20, section 5 of the Act (which amends interest on overdue tax provisions) shall have effect in respect of the income tax year commencing on 6 April 2004 and subsequent years.
8. Section 6 of the Act (which amends commencement and cessation provisions) shall have effect in respect of the income tax year commencing on 6 April 2004 and subsequent years.
9. Section 8 of the Act (which amends provisions for the making of a return and introduces new provisions relating to cessation of residence, the production and auditing of accounts and offences for failure to making a return) shall have effect in respect of the income tax year commencing on 6 April 2005 and subsequent years.

10. Section 9 and Schedule 1 of the Act (which introduce new civil penalties for failure to make a return) shall have effect in respect of the income tax year commencing on 6 April 2005 and subsequent years in respect of returns for the income tax year ending on 5th April 2005 and subsequent years.
11. Section 10 and Schedule 2 of the Act (which amend powers in respect of documents and information) shall have effect in respect of the income tax year commencing on 6 April 2004 and subsequent years.
12. Subject to article 21, Section 11 and Schedule 3 of the Act (which introduce new anti-avoidance provisions specifically concerned with differential tax rates) shall have effect in respect of the income tax year commencing on 6 April 2004 and subsequent years
13. Section 13 of the Act (which amends provisions dealing with Temporary Taxation Orders) shall have effect in respect of the income tax year commencing on 6 April 2004 and subsequent years.
14. Section 14 of the Act (which amends provisions relating to the taxation of mariners) shall have effect in respect of the income tax year commencing on 6 April 2005 and subsequent years.
15. Subject to article 22, section 15 of the Act (which makes minor and supplementary amendments to the Income Tax Acts) shall have effect in respect of the income tax year commencing on 6 April 2004 and subsequent years.
16. Section 16 of the Act (Interpretation) shall have effect in respect of the income tax commencing on 6 April 2004 and subsequent years.
17. Section 17 of the Act (Short title and commencement) shall have effect in respect of the income tax commencing on 6 April 2004 and subsequent years.

Transitional Provisions

18. In section 2(2), the new section 96A of the 1970 Act shall come into operation in respect of the income tax year of assessment 2004/2005 and subsequent years.
19. In section 4(2), the new section 107B of the 1970 Act shall come into operation in respect of an amount paid on account in accordance with the provisions of section 96A of the 1970 Act or any other income tax payment made on or after 6th April 2004 and in respect of the year of assessment 2004/2005 and subsequent years.
20. In section 5(2)(c), the addition to 111A(9) of the 1970 Act shall come into operation in respect of the year of assessment 2004/2005 and subsequent years.
21. The provisions of section 11 and schedule 3 shall only have effect in respect of loans advanced on or after the 1st October 2004.
22. In section 15(5), the new section 107A(6A) of the 1970 Act shall only have effect in respect of claims made on or after the 1st October 2004.