

The Treasury Yn Tashtey

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PRACTICE NOTE

PN 98/03

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Short Term Residence Concession

Introduction

A revised Extra Statutory Concession regarding short term residence has been agreed by the Treasury and laid before Tynwald. It takes effect from 6 April 2003.

The revised Concession (G.C. 15/03) replaces the previous Short Term Residence Concession (G.C. 166/85) which applied from 1985 to 5th April 2003.

Background

Any individual who has accommodation available for their use is resident for income tax purposes in any assessment year in which they set foot in the Isle of Man. They are therefore liable to Manx resident tax on their total world income. Previously, the Assessor would not pursue the liability in respect of such individuals if they, their spouse or their dependants were present in the Island for less than four months in aggregate in any two consecutive years.

The original intention of this Concession was to avoid charging those persons who were only on the Island for very short periods such as family holidays. Unfortunately this Concession was open to abuse and, in a few isolated cases, was used to avoid the charge to income tax on Manx source income.

The intention to review this Concession was first stated in the 2002 Budget. Following a period of consultation, in his Budget speech delivered on Tuesday 19th February 2003, The Minister for the Treasury, Hon. A. R. Bell, M.H.K., announced the introduction of the revised Concession to close loopholes in the existing Concession.

Revised Concession

The revised Concession enables an individual who has accommodation available for their use and is present in the Island for less than four months in aggregate in any two

consecutive years to elect to be treated as a non-resident individual and therefore charged only on Manx source income and assessed to Manx non-resident tax accordingly.

Where an individual is married, they may elect for the concessional treatment if they, or their spouse, or their dependants do not in the aggregate exceed four months in any two consecutive years. Where a dependant is only present in the Island for the purposes of full time education, the period spent on the Island by them will be disregarded for the purposes of the Concession.

This revised Concession does not change the treatment of any income received from an approved source (e.g. bank interest). Under the terms of G.C. 326/86, G.C. 327/86 and G.C. 67/88 the Assessor will not pursue the liability to income tax of any person receiving such income provided they are not resident or have made an election to be treated as a non-resident under the revised Short Term Residence Concession.

An extract of the wording of the revised Concession is attached to this Practice Note at appendix 1. Full copies of the Concession (G.C. 15/03) are available from the Central Reference Library, Floor 3, Government Office, Buck's Road, Douglas, price 30 pence.

Election to be treated as a non-resident

Any person wishing to be treated as a non-resident under this Concession must make an election in the prescribed manner. A standard form reference R158 has been prepared and a copy is attached at appendix 2. A letter will only be accepted if it contains the prescribed wording.

Enquiries relating to this revised Concession should be made to the Assessing Team Manager at the address and telephone number at the top of this Practice Note.

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.

Extract from Government Circular No. 15/03

INCOME TAX
EXTRA STATUTORY CONCESSION
SHORT TERM RESIDENCE

Laid before Tynwald 20th May 2003

Coming into operation 6th April 2003

The Treasury has agreed the following Concession -

- 1. This Concession has effect for the year of assessment commencing 6 April 2003 and subsequent assessment years.
2. Notwithstanding that an individual, who has accommodation in the Isle of Man available for their use, is resident for income tax purposes in any year in which he sets foot in the Isle of Man. Where an individual;
a) is not present in the Isle of Man for a period which in the aggregate exceeds 4 months in any 2 consecutive years, or
b) is married and the period spent in the Isle of Man by the individual or his spouse his or dependants does not in the aggregate exceed 4 months in any 2 consecutive years and
c) the individual makes an election under this concession

That individual, will, for the purposes of Manx income tax, be treated as a non resident individual and be assessed and charged to Manx non resident tax accordingly.

- 3. Where a dependant is present in the Island purely for the purposes of full time education, the period spent on the Island by that dependant will be disregarded for the purposes of this concession.
4. An election under this concession must be made in the following manner

Name..... Tax Ref.....
Address.....
.....
.....

I hereby confirm that I have read the terms of the Short Term Residence Extra Statutory Concession G.C.15/03 and, whilst being resident for Manx income tax purposes, confirm that I meet the conditions under the said concession and elect to be treated as a non-resident and be assessed and charged to Manx non-resident tax accordingly"

- 5. This concession replaces Extra Statutory Concession GC 166/85.
6. Treasury can withdraw this concession, where in any case, it can be seen that abuse has occurred.

Appendix 2

Short Term Residence Extra Statutory Concession G.C. 15/03

Election for Non-resident Treatment

To apply from year of assessment 200 _ /200 _ until further notice.

Tax Reference Number _____

Full Name _____

Address _____

I hereby confirm that I have read the terms of the Short Term Residence Extra Statutory Concession G.C.15/03 and, whilst being resident for Manx income tax purposes, confirm that I meet the conditions under the said concession and elect to be treated as a non-resident and be assessed and charged to Manx non-resident tax accordingly.

Signed _____

Date _____

R 158