



PRACTICE NOTE

PN 159/09

Date: 2 October 2009

TAXATION OF INTEREST DUE FROM KAUPTHING SINGER AND FRIEDLANDER (ISLE OF MAN) LTD (IN LIQUIDATION)

Introduction

This practice note is relevant to Isle of Man resident individuals who had accounts with Kaupthing Singer and Friedlander (IOM) Ltd (in liquidation) ('KSF depositors') immediately before it went into provisional liquidation on 9 October 2008, and their agents.

The purpose of this practice note is to explain the tax treatment of interest credited to KSF accounts on or after 6 April 2008.

In law, all interest credited to an Isle of Man resident's bank account must be declared on that person's income tax return for the year in which the interest was credited and is taxable as income for that year. This means that a KSF depositor who, for example, had interest credited to their KSF account on 9 October 2008 must declare that interest on their tax return for the year ended 5 April 2009: even though the interest may still form part of an outstanding claim under the Depositors' Compensation Scheme (DCS) or against KSF.

The Treasury recognises that taxing all interest income credited to a KSF account since 6 April 2008 as income for the year ended 5 April 2009 could lead to hardship and has therefore agreed the following concession.

Treasury Concession

This concession only applies in respect of interest which was credited to a KSF depositor's KSF account on or after the 6 April 2008.

All interest credited to KSF accounts, including interest which is still owed, must be declared on the KSF depositor's income tax return in the normal way.

The interest will be charged to income tax, but a KSF depositor may apply to the Income Tax Division to postpone payment of the tax on that interest. This postponement of tax will only be available in respect of the tax due on the interest credited to an account which was open and had a credit balance immediately before KSF went into provisional liquidation on 9 October 2008.

The income tax postponed under this concession will become due and payable 30 days after the KSF depositor receives final payment of amounts owed to him by KSF (whether under the DCS or otherwise) if the full amount of capital and interest owed to the KSF Depositor has been paid.

If part or all of the interest which is due to the KSF depositor is not ultimately paid under the DCS (or otherwise); the income tax due on the unpaid amount will be waived. For the purposes of this concession, any payments to KSF depositors will be treated as being capital first and interest last.

Income tax legislation provides for an interest charge on any tax that is paid late. Interest is normally due whether or not a postponement has been agreed with the Assessor. However this concession will ensure that an interest charge will not arise if the income tax due is paid within 30 days of the final payment being received under the DCS.

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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.