



Isle of Man
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PRACTICE NOTE

PN 96/03

Date:

The Introduction Of A Current Year Basis Of Assessment For Individuals And Non-Corporates In 2004/2005

The Assessor of Income Tax has given notice that legislation will be incorporated into an Income Tax Bill later in 2003, which will replace the previous year basis of assessment with a current year basis of assessment for individual taxpayers and non-corporates.

This change will apply to sources of income such as investment income, trading income and rents, which are currently assessed on a 'previous year basis', and will be effective for the tax year 2004/2005 and onwards. Income from employment is already assessed on a 'current year basis'.

Taxpayers who are currently assessed on a previous year basis of assessment on any sources of income will receive a transitional assessment for the tax year 2003/2004 in order to make the change between the old basis of assessment and the new.

Tax assessments for 2003/2004 will be issued on the basis of the current legislation (Section 81 Income Tax Act 1970) and tax will initially be payable on the normal due date of 1st January, 2004 on the previous years (year ending 5th April, 2003) income.

These sources of income will then be the subject of the application of the cessation rules on 5th April, 2004 following the provisions of Section 4 Income Tax Act 1970. The result will be that assessments for the tax year 2003/2004 will then be adjusted, using the cessation rules to incorporate the income for the year ended 5th April, 2004. The payment made on 1st January, 2004 will be offset against the revised 2003/2004 liability to give a balance payable or refundable.

Normally, when a cessation of a source of income takes place the Assessor also has the power (Section 4(1)(b) Income Tax Act 1970) to make adjustments in appropriate cases to increase the preceding years liability (which in this case would be the liability for the tax year 2002/2003). Treasury has directed the Assessor that in those cases where he is satisfied that the liabilities are not subject to tax avoidance he should not exercise that power. There will therefore be no amendment of 2002/2003 liabilities unless tax avoidance is identified.

If you require further details, please contact the Income Tax Division on telephone number 685400 or call in to the General Enquiries counter on the 2nd floor of Government Office.

Previous year basis of assessment -

- The income assessed in any tax year is the income of the previous year: E.g. the income of the year ended 5th April 2002 is assessed in the tax year 2002/2003.

Current year basis of assessment -

- The income assessable in the tax year is the income of the current year: E.g. the income of the year ending 5th April 2002 will be assessed in the tax year 2001/2002.

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, some of which has still to be formally approved. 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.