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## PRACTICE NOTE

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**PN 60/96**

**Date: 1 March 1996**

### **Budget 1996 - Income Tax Proposals**

In his Budget speech on 19 March 1996, the Minister for the Treasury, the Hon D J Gelling MHK announced various financial measures.

#### **1. Income Tax Rates, Allowances And Thresholds**

The Treasury Minister announced the following income tax rates, personal allowances and tax thresholds for the 1996/97 year of assessment commencing 6 April 1996 (bracketed figures are the comparatives for 1995/96).

##### **Personal Allowances**

Single Person 6,600 (6,400)

Married Couple (combined) 13,200 (12,800)

Single Parent Addition 4,515 (4,380)

Blind Person 1,800 (1,700)

##### **Income Tax Rates**

Standard Rate 15 (15)

Higher Rate 20 (20)

Non-Resident Rate 20 (20)

##### **Tax Thresholds**

Single Person 9,000 (8,750)

Married Couple (combined) 18,000 (17,500)

Balance taxable at 20%

#### **2. Transfers Of Personal Allowances Following Death.**

In previous years, where the Personal Allowances granted to a married man in his final income tax assessment to the date of his death exceeded the amount of total income on which he was liable to pay income tax, the benefit of the unused balance of those allowances was lost.

An Extra Statutory Concession, announced in the Treasury Minister's Budget Speech, will enable such balance of allowances to be transferred to his surviving widow, provided that he was still living with his wife and being taxed as a married man at the time of his death. The Concession will apply from the income tax year commencing on 6 April 1996.

### **3. Extension Of Deductions For Maintenance Payments.**

The Budget announced an extension to the criteria under which payments for the maintenance of children are deductible for income tax purposes.

The change announced will take effect from 6 April 1996 and will enable a deduction for maintenance paid to or for the benefit of a child to be made to one or other of the child's natural parents even if they are not legally married. The payment is subject to the existing rules governing eligibility for deduction which means that a Court Order, or other legally enforceable written agreement, both of which must have been made or entered into in the Isle of Man, must be in place. Deductible payments will be assessable on the recipient in the normal way.

### **4. Charitable And Educational Donations.**

The minimum and maximum deductions available to individual taxpayers in respect of donations to charities will be fixed by Government Order at £100 and £4,500 respectively.

The treatment of deeds of covenant remain as before except that the educational covenant limit is also being increased to £4500.

### **5. Cash Equivalents Of Car Fuel Benefits.**

The cash equivalent of car fuel provided by reason of a person's employment for a car made available for private use have been increased in line with inflation. At the same time, there has been a simplification of the rates charged in respect of cars which do not have a cylinder capacity. The figures which will apply for the 1996/97 year of assessment are as below. The bracketed figures in Table A are the comparatives for 1995/96. Table B has been replaced.

**Table A**

Cars with an internal combustion engine with one or more reciprocating pistons with an engine cylinder capacity as calculated for the purposes of the Licensing and Registration of Vehicles Act, 1985.

CYLINDER CAPACITY (cc)	CASH EQUIVALENT (£)
1,400 or less	710 (670)

1,401 to 2,000	890 (850)
2,001 or more 1,320	(1,260)

Table B

Cars other than as described in Table A

CARS WITHOUT A CYLINDER CAPACITY	CASH EQUIVALENT (£)
All Models	1,320

NB: The tables of cash equivalents for cars made available by reason of employment and available for private use remain unchanged.

## **6. Income Tax Act 1995.**

Under the terms of the Income Tax Act 1995 (Appointed Day) Order 1996 announced by the Treasury Minister in his Budget speech, the remaining provisions of the Income Tax Act 1995 relating to :-

Capital Expenditure (Section 2)

Expenses Defrayed from Remuneration (Section 3)

Training Relief (Section 5)

Nursing Expenses (Section 6)

Relief for Superannuation Funds (Section 8)

Purchased Life Annuities (Section 9)

Charitable Donations (Section 11)

Territorial Waters (Section 12)

Connected Persons (Section 13)

Retirement Benefit Schemes (Section 14)

Temporary Taxation Orders (Section 15)

are all brought into operation with effect from 6 April 1996.

It is recognised that in some cases, reliefs have already been granted in respect of some of the above provisions. An Extra Statutory Concession covers any timing difference between the date of the Appointed Day Order and the date any relief in respect of the above was first granted.

Note: Sections 1,4,7 and 10 of the Income Tax Act 1995 come into co-operation in accordance with specific provisions in each of these Sections.

## **7. Class 4 National Insurance Contributions.**

The amount of any Class 4 National Insurance Contributions paid by an individual will continue to qualify for income tax relief in the Isle of Man even though the rate at which they, are paid has been reduced from 7.3% of net relevant earnings to 6% in line with similar changes in the United Kingdom.

## **8. Commercial Buildings Allowance**

In his Budget speech on 15 March 1994, the Treasury Minister announced a new capital allowance which provided for a first year allowance of 100% on the cost of constructing a commercial building within a designated area of central Douglas. Included in the definition of a commercial building for the purposes of the allowance was a car park which formed part of the premises concerned.

Under Regulations to be introduced shortly, the scope of the Commercial Building Allowance will be extended to include the construction of car parking facilities generally, - e.g. a multi-storey car park - provided that the development takes place within the boundaries of the designated area.