



## PRACTICE NOTE

**PN 31/91**

**Date: 16<sup>th</sup> April 1991**

### **Budget 1991 - Income Tax Proposals Allowances And Rates Of Tax**

The Minister for The Treasury announced the following income tax rates and allowances to be effective for the 1991/92 income tax year commencing 6th April 1991 -

#### **PERSONAL ALLOWANCES**

<b>Single Person</b>	£ 5,650
<b>Married Couple (combined)</b>	£11,300
<b>Single Parent Addition</b>	£ 3,900
<b>Blind Person</b>	£ 1,450

#### **INCOME TAX RATES**

<b>Standard Rate</b>	15%
<b>Higher Rate</b>	20%
<b>Non-Resident Rate</b>	20%

#### **TAX THRESHOLDS**

<b>Single Person</b>	£ 8,000
<b>Married Couple (combined)</b>	£16,000
<b>Balance taxable at</b>	20%

#### **I.T.I.P. CHANGES**

Instructions will be issued within the next few days advising employers to amend codes with an F,W or M suffix and to apply the increases with immediate effect. Codes with an S or L suffix will be reviewed by the Division over the next 2 weeks and revised codes issued as soon as possible. No new Tax Tables will be required.

## **CHARITABLE DONATIONS**

The 1991 Income Tax Bill contains a provision enabling an individual to make a one-off donation to a charitable organisation and claim tax relief for the amount paid. This provision mirrors the legislation introduced in the 1990/91 income tax year for companies. It was announced today that, subject to the legislation being approved, the minimum amount for which relief may be claimed is an annual donation of £100. The maximum relief for all donations in any one year will be £4,000. In addition to the charitable donations by individuals the limit of £4,000 will also be applied to -

company donations (currently £2,400)

educational covenants (currently £3,000)

other deeds of covenant (currently no limit).

A revised Order implementing the changes for the covenants will be introduced shortly and will apply for the 1991/92 income tax year.

## **PRIVATE MEDICAL INSURANCE - PERSONS AGED 60 YEARS OR OVER**

The Treasury Minister announced today a new extra statutory concession providing for income tax relief for premiums paid on a private medical insurance contract taken out for a person, aged 60 years or over. Pending the introduction of appropriate legislation the concession adopts the same conditions as apply to contracts which qualify for income tax relief in the United Kingdom.

Main conditions are -

- - must be a contract providing cover for a person aged 60 years or over
- - the person must be resident in the Isle of Man
- - the contract must provide cover for medical or surgical treatment in the
- - Isle of Man or the United Kingdom
- - schemes which offer cash benefits only do not qualify
- - normal dental treatment and eye tests may not be included.

A more detailed guide is available from the Income Tax Division. Relief may

## **CAPITAL ALLOWANCES**

Two changes have been announced to the existing system of relief for capital expenditure -

<b>Government Grants -</b>	an amount received by way of a grant towards capital expenditure qualifying for relief under the capital allowances provisions will no longer be taken into account in calculating the relief which may be claimed.
<b>Buildings Allowance -</b>	a 100% initial allowance may be claimed on the allowable capital expenditure incurred on the acquisition, extension or alteration of a qualifying industrial building, agricultural building or tourist premises.

The above changes will be effective in respect of capital expenditure incurred on or after 6th April 1991 and any grants received in respect of such expenditure.

### **INCENTIVE ALLOWANCE**

**A new allowance is to be introduced for capital expenditure incurred on tourist premises and will be in addition to the existing tourist premises allowance. Basically, it will consist of an allowance equal to 50% of the allowable capital expenditure and is to be given in the year following the year in which the 100% initial allowance was claimed. Government grants will be deducted in determining the allowable expenditure although where no grant is obtained the relief will be given for a total of three consecutive years i.e. 150% in total. Full details of the new allowance will be published later in the year.**

### **MEMBERS CLUBS - RELIEF ON INVESTMENT INCOME**

**It is the intention to introduce an extra statutory concession to provide for relief from income tax in respect of the first £1,000 of investment income received by members clubs. Profits from trading transactions will, however, remain liable to income tax. The new exemption is to operate in respect of income received after the 5th April 1991 and will apply to members clubs established for the promotion of sport, art, science, literature or other social pursuits.**

### **OTHER PROPOSALS**

**Three further proposals requiring amending legislation have been announced:-**

<b>Seafarers -</b>	it is the intention to bring the taxation treatment of seafarers into line with their United Kingdom counterparts. Provided a minimum period is spent on sailings abroad, there will be no income tax charge in respect of earnings from that source.
<b>Vocational Training -</b>	reliefs to employers, employees and other individuals are to be reviewed and measures introduced to encourage the development of new or existing skills. In particular, consideration will be given to relief or support for those not currently in employment.
<b>Employees Tools and Clothing Allowances -</b>	at present a number of quite separate and variable allowances are provided. The intention is to review this procedure and simplify and standardise the claim for relief that may be made.
<b>Speculative transactions in land -</b>	it is considered that speculative transactions in land could be dealt with more effectively through the income tax system rather than through the re-introduction of Land Speculation Tax. Consultations will be initiated to determine the most effective way of achieving this.

### **BENEFITS IN KIND - CAR SCALE RATES**

**Appendix 1 contains the car and fuel benefit scale rates to be applied for 1991/92. Employers should ensure that a form T.9 is sent in with the annual**

deduction card for any employee who has been provided with a benefit including a company car.

**APPENDIX 1**

**CAR AND FUEL BENEFITS 1991/92**

**Notes:-**

1. 1) 1990/91 Comparatives are shown in brackets
2. Practice Note 28/90 refers

**CARS MADE AVAILABLE TO EMPLOYEES FOR PRIVATE USE TABLES OF FLAT RATE CASH EQUIVALENTS APPLICABLE FOR 1991/92**

**TABLE A Cars with an original market value up to £19,250 and having a cylinder capacity**

CYLINDER CAPACITY (CC)	AGE OF CAR AT 5/4/92	
	UNDER 4 YEARS	4 YEARS OR MORE
<b>1400 or Less</b>	£ 690 ( 660)	£ 460 (440)
<b>1401 - 2000</b>	£ 900 ( 870)	£ 600 (580)
<b>MORE THAN 2000</b>	£1430 (1370)	£ 950 (910)

**TABLE B Cars with an original market value of up to £19,250 and not having a cylinder capacity**

ORIGINAL MARKET VALUE	AGE OF CAR AT 5/4/92	
	UNDER 4 YEARS	4 YEARS OR MORE
<b>Less than £6000</b>	£ 690 ( 660)	£ 460 ( 440)
<b>£6000 - £8500</b>	£ 900 ( 870)	£ 600 ( 580)
<b>£8500 - £19250</b>	£1430 ( 1370)	£ 950 ( 910)

**TABLE C Cars with an original market value of more than £19,250**

ORIGINAL MARKET VALUE	AGE OF CAR AT 5/4/92	
	Under 4 Years	4 Years or more
<b>£19250 - £29000</b>	£1870 ( 1800)	£1250 ( 1250)
<b>More than £29000</b>	£2980 ( 2860)	£1980 ( 1900)

**FUEL PROVIDED FOR CARS AVAILABLE FOR PRIVATE USE TABLES OF CASH EQUIVALENTS APPLICABLE FOR 1991/92**

**TABLE A**

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

<b>CYLINDER CAPACITY (CC)</b>	<b>CASH EQUIVALENT</b>
<b>1400 or Less</b>	£480
<b>1401 - 2000</b>	£600
<b>MORE THAN 2000</b>	£900

**TABLE B**

**Cars other than described at Table A**

<b>ORIGINAL MARKET VALUE</b>	<b>CASH EQUIVALENT</b>
<b>Less than £6000</b>	£480
<b>£6000 - £8500</b>	£600
<b>£8500 or more</b>	£900

**Please note that no comparatives are shown. The fuel scale has not changed since introduction in 1989/90.**