



INCOME TAX ACT 1995

INCOME TAX (DEDUCTIONS) (TEMPORARY TAXATION) ORDER 2012

Approved by Tynwald *22 February 2012*
Coming into operation *24 February 2012*

The Treasury makes this Order under section 15 of the Income Tax Act 1995¹.

1 Title

This Order is the Income Tax (Deductions) (Temporary Taxation) Order 2012.

2 Commencement

If approved by Tynwald², this Order comes into operation on 24 February 2012 and shall have effect in respect of the income tax year commencing 6 April 2012 and subsequent years.

3 Amendment of the Income Tax Act 1970

The Income Tax Act 1970³ is amended in accordance with articles 4 to 9.

4 Amendment of section 33

For section 33 (deductions to be allowed in ascertaining taxable income) substitute —

“33 Deductions to be allowed in ascertaining taxable income and liability to income tax

An individual who, in the manner prescribed in this Act, makes a claim in that behalf, and who makes a return in the prescribed form of his or her total income from all sources, shall be entitled —

¹ 1995 c.12

² As required by section 15(2) of the Income Tax Act 1995

³ XXI p. 260

Price 95p

- (a) for the purpose of ascertaining taxable income, to have such deductions as are permitted to be made from total income by the Income Tax Acts; and
- (b) for the purpose of ascertaining liability to income tax, to have such deductions as are permitted by the Income Tax Acts to be made from liability to income tax that would have arisen but for the permitted deduction.”.

5 Amendment of section 39AA

(1) Section 39AA (relief in respect of nursing expenses) is amended as follows.

(2) In subsection (1), for “the claimant shall be allowed a deduction from his total income of an amount equal to the cost to the claimant of such employment or fee but such deduction shall not in any case exceed £9,300 or such other sum as the Treasury may by order prescribe” substitute “the claimant shall be allowed a deduction from his or her liability to income tax of an amount equal to the cost to the claimant of such employment or fee multiplied by the lower rate but such deduction shall not in any case exceed £9,300 multiplied by the lower rate or such other sum as the Treasury may by order prescribe”.

(3) After subsection (2) insert —

“(2A) No deduction under subsection (1) shall of itself entitle the claimant to a refund or repayment of tax.”.

(4) After subsection (3) insert —

“(3A) In subsection (1), “lower rate” has the same meaning as in section 1.”.

6 Amendment of section 48C

(1) Section 48C (medical insurance: relief) is amended as follows.

(2) In subsection (3), for “it shall be deducted from or set off against his total income for the year of assessment in which it is made” substitute “an amount equal to the payment multiplied by the lower rate shall be deducted from his or her liability to income tax for the year of assessment in which it is made”.

(3) In subsection (4), after “£1,800” add “multiplied by the lower rate”.

(4) After subsection (4) insert —

“(4A) No deduction under subsection (3) shall of itself entitle the individual to a refund or repayment of tax.”.

(5) After subsection (7) insert —

“(8) In this section, “lower rate” has the same meaning as in section 1.”.

7 Amendment of section 61E

(1) Section 61E (donations by individuals to charities) is amended as follows.

(2) For subsection (1) substitute —

“(1) On a claim made by an individual who is resident in the Isle of Man, an amount equal to the amount of a qualifying donation made by the individual in any year of assessment shall be multiplied by the lower rate and the resulting amount shall, subject to the provisions of this section, be allowed as a deduction from his or her liability to income tax for that year.”.

(3) In subsection (3), after “of this Act” add “multiplied by the lower rate”.

(4) After subsection (3) insert —

“(3A) No deduction under subsection (1) shall of itself entitle the individual to a refund or repayment of tax.”.

(5) After subsection (4) insert —

“(5) In this section, “lower rate” has the same meaning as in section 1.”.

8 Amendment of section 65H

(1) Section 65H (transfer of unused allowances, etc in year of death) is amended as follows.

(2) In subsection (2), for “under sections 31A, 35, 35A, 35B, 39AA, 43B, 44A, 48C and 61E” substitute “under sections 31A(1)(a)(i), 35, 35A, 35B, 43B and 44A”.

(3) After subsection (2) insert —

“(3) If the deductions to which the deceased spouse or civil partner was entitled to under sections 31A(1)(a)(ii), 39AA, 48C and 61E of this Act exceed the income tax liability of that spouse or civil partner in respect of the year of assessment in which he or she died, the surviving spouse or civil partner shall be entitled to a deduction

from his or her income tax liability for that year of an amount equal to the excess.

- (4) No deduction under subsection (3) shall of itself entitle the survivor to a refund or repayment of tax."

9 **Amendment of section 65I**

- (1) Section 65I (transfer of unused allowances in year of marriage or formation of civil partnership) is amended as follows.

- (2) In subsection (3), for "under sections 31A, 35, 35A, 35B, 39AA, 43B, 44A, 48C and 61E" substitute "under sections 31A(1)(a)(i), 35, 35A, 35B, 43B and 44A".

- (3) After subsection (3) insert —

"(4) If the deductions to which one individual was entitled to under sections 31A(1)(a)(ii), 39AA, 48C and 61E of this Act exceed the income tax liability of that individual in respect of the relevant year, the other individual shall be entitled to a deduction from his or her income tax liability in respect of the relevant year of an amount equal to the excess.

- (5) No deduction under subsection (4) shall of itself entitle the other individual to a refund or repayment of tax."

MADE 6 February 2012



Minister for the Treasury

EXPLANATORY NOTE

(This note is not part of the Order)

This Order amends the Income Tax Act 1970 so as to change the basis of certain deductions so that they are applied to reduce liability to income tax rather than to reduce total income. The deductions are only to be allowed at a rate equal to the lower rate of income tax (currently 10%).