



Isle of Man
Government

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GUIDANCE NOTES, GN1 RETURN FORM GUIDE 15-16

IMPORTANT INFORMATION TO ASSIST WITH THE COMPLETION OF YOUR RETURN FORM

Why use Online Tax Services?

Because you can:

- File your return efficiently and securely, at a time that suits you.
- Receive instant confirmation of your return form submission.
- Receive and review your assessments, codes and letters all online.
- Make secure and easy payments online.
- Receive refunds directly into your bank account.
- Maintain your own personal details, and avoid long queues at the public counter.

What you need to do in 2 simple steps:

Step 1: Visit **www.gov.im/onlineservices** and register for Isle of Man Government online services by selecting "Income Tax" service.

Step 2: Enrol for "Individual Tax Service", select "Register as an individual" and follow the instructions.

For any assistance concerning this process, help is available on our website **www.gov.im/incometax**. Alternatively, you can visit the Income Tax Division in person or contact us by telephone on 685400.

Once complete, you can then use online services around the clock at a time that suits you.

**Penalties of
up to**

£300

**You will be charged
penalties if you do not
submit your Tax
Return by the due date**

Income Tax Returns ***..... And You!***

- You have a **legal obligation** to send in an annual income tax return, unless we have notified you otherwise.
- You must complete and return the form to the Income Tax Division by the due date shown at the top of the return form.
- If your return has not been received by that date you will have to pay a penalty of **£100**.
- If your return has still not been received **6 months** after the due date you will have to pay a further **£200 penalty**.
- You must complete all relevant sections and note all required figures on the return form. Do not leave boxes blank and just attach certificates or state 'same as last year'.
- If estimated figures are included, they must be clearly marked as such and advise when the actual figure will be available. As soon as actual figures are available, you must inform the Income Tax Division.

IMPORTANT INFORMATION - It is a legal requirement for you to retain your income tax records. The length of time that you need to retain them depends on your circumstances. A person carrying on a trade, profession, business or receiving rental income, either in person or in a partnership, is required to retain records supporting the entries made on the return for **six** years from the end of the relevant tax year, or the date of submission of the return form, whichever is latest. All other persons are required to retain records for **two** years from the end of the relevant tax year, or the date of submission of the return form, whichever is latest.

- Contact us if you need help to complete your return.

Find out more -

- **at www.gov.im/incometax** or
- **by post;**
Income Tax Division,
Government Office, Douglas,
Isle of Man, IM1 3TX

PLEASE NOTE THAT RETURN FORM RECEIPTS ARE NO LONGER ISSUED.

These additional notes give an explanation of some of the more complex areas of taxation. The following sections correspond with the sections in the return form for ease of reference. These additional notes have no binding force and do not affect your right of appeal on points concerning your own liability to tax.

2 JOINTLY ASSESSED COUPLES

Married couples and civil partners who have elected to be jointly assessed will be jointly and severally liable for their joint tax affairs. This means that both parties are responsible for completing and submitting the return form and it must be signed by both parties.

If you, your spouse or civil partner no longer wish to be jointly assessed please contact the Income Tax Division for further information. If you were married, became a civil partner or separated during the tax year you will be treated as a single person for tax purposes and must submit separate return forms.

Common-law relationships are not recognised for tax purposes, both parties will be treated as single people and must submit separate return forms (but see note 4).

3 NOMINATED SPOUSE / CIVIL PARTNER

For jointly assessed couples, general correspondence and refund cheques will be issued in joint names. If you would like to nominate one spouse/civil partner as the addressee for general correspondence and refund cheques, please tick the relevant box. (General correspondence excludes return forms, assessments and other legal documents.) In the absence of a nomination, all correspondence issued by the Division will be addressed to both parties.

4 CLAIM FOR OTHER ALLOWANCES

BLIND PERSONS ALLOWANCE/DISABLED PERSONS ALLOWANCE

If you, your spouse or civil partner are registered blind or received attendance allowance or disability living allowance at any time during the tax year you are entitled to claim a deduction in addition to your personal allowance.

ADDITIONAL PERSONAL ALLOWANCE

You may be entitled to the additional personal allowance if you are single, not living with a partner and your child lives with you. You must not be living with another person as husband, wife or civil partner and the child should be under 16 or under 19 and receiving full time education. If this is a new claim, please complete form R135 "Additional Personal Allowance Claim Form", which is available on the 'Forms' page of the Division's website at www.gov.im/incometax or can be requested from the Division. If you have made a claim in previous years and your circumstances have not changed please tick box B.

4 CLAIM FOR OTHER ALLOWANCES - CONTINUED

COHABITING COUPLES WITH A CHILD

A couple who have been living together with a child for the whole of the year of assessment, and are not married or in a civil partnership are entitled to make a claim for additional relief in respect of that child. If one partner does not use all of their personal allowances, the value of the unutilised allowances may be transferred to the other partner, to a maximum value of the additional personal allowance.

5 EMPLOYMENT

Please include your employer's name, the country of origin, superannuation paid, tax paid and your gross salary in the tax year. This information is available on your T14, if you are not in receipt of a T14 please ask your employer for the figures. Please note you are not required to submit a T14 with this form. Tips and gratuities should be shown separately if not included in the gross pay. If you cease employment in the year, all details may be on your final payslip.

If you, your spouse or civil partner are in receipt of a source of income which is not from the Isle of Man please include your final payslip, P60 or its equivalent.

Compensation for loss of office and ex-gratia payments as well as redundancy payments should be shown separately and entered in full. An exemption of up to £30,000 applies to certain payments.

If you are a mariner who spends more than 183 days a year absent from the Isle of Man and sail to ports outside the British Isles, you may be able to claim relief on your earnings. A claim form R84 (IOM) with explanatory notes is available on request.

6 SELF-EMPLOYMENT

- Turnover is the Total Income you received in the year of assessment from carrying out your trade.
- Your Gross Profit figure is your Turnover less the cost of goods you have had to purchase to carry out your trade.
- Net Profit is the Gross Profit figure after revenue expenses have been deducted; see below for allowable and non-allowable expenses.

ALLOWABLE BUSINESS EXPENDITURE

Costs which are incurred for the sole purpose of earning business profits can be deducted, such as:

- everyday costs of the business and maintaining its equipment
- goods or materials sold or used in the business
- business travel, loose tools and other small articles used in the business (where Capital Allowances have not been claimed)
- interest on business loans
- employees' wages

Expenses which cannot be claimed include:

- money paid or taken from the business for personal spending or as drawings, wages or interest on capital
- your income tax bill or your own National Insurance contributions
- private or personal expenses
- depreciation

SELF EMPLOYMENT - CONTINUED

- the cost of buying equipment or other capital expenditure; Capital Allowances may be claimable on this expenditure
- travel to and from work

Capital Allowances should also be claimed in the box provided. For further information please see Guidance Notes, GN4 Self Employment on the Division's website.

CAPITAL ALLOWANCES

The cost of vehicles, machinery, plant or certain other items with a long term value for the business cannot be claimed as a business expense. However, Capital Allowances may be able to be claimed which are then deducted from the business profit in order to reach the taxable profit. The amount of the allowance is related to the cost of the item and how much it is used for business purposes. Items bought purely for personal use cannot be claimed.

Capital Allowances are available in respect of:

- Plant and machinery
- Motor cars
- Agricultural buildings
- Industrial buildings
- Tourist premises

The allowance claimed can be up to 100% of the cost for all of the above with the exception of the motor car. The maximum initial claim for a car is up to 25% of the cost, up to a maximum of £3,000 per year. If you are dealing with your own computation you can contact the Income Tax Division for assistance.

Taxable Profit is the net profit less Capital Allowances. The Taxable Profit should also include adjustments for personal use, depreciation and other non-business related expenses. If adjustments have been made, please provide a copy of your tax computation.

LOSSES

If the business incurs a loss, there are a number of ways that loss relief can be claimed. For details you can contact the Income Tax Division.

NATIONAL INSURANCE

Note that self-employed status may not be accepted unless it has been applied for (form CWF1/R133) and subsequently approved by the Income Tax Division for Tax and National Insurance. If self-employed status is approved then Class 2 and 4 National Insurance are liable, dependent on the individual's level of earnings.

UNITED KINGDOM OR OVERSEAS SELF-EMPLOYMENT

If you receive self-employed income from the United Kingdom or another overseas country that is taxed please provide a copy of the computation you submitted to HMRC or other authority and evidence of tax paid.

OTHER INFORMATION ABOUT SELF-EMPLOYMENT

For further information please see Guidance Notes, GN4 Self Employment on the Division's website.

If you receive income from a non profit-making source of self employment or a 'hobby' you should declare all the income that you receive, even if you do not expect to make a profit.

8 OTHER PENSIONS

Pensions from former employers and any other pensions should be shown in full. Non-taxable pensions, such as War Widow's Pension and certain other pensions for wounds or disability arising out of military service or other war injuries, should not be included.

11 RENTAL INCOME

Expenses

Only the cost of mortgage interest, maintenance, repair, insurance and management of the property are allowable. Capital expenditure, such as altering or improving the land/property and legal expenses in purchasing or selling the land/property are not allowable. Further information is provided in the Practice Note, PN51/94 which is available from the Income Tax Division or the website.

Losses

Excess expenditure on rents is not available for set-off against non-rental income. Excess expenditure on rents can be carried forward for relief against subsequent rents from the same property. Two or more properties or parcels of land can be treated as one (i.e. pooling) subject to the following:

- Excess expenditure not relieved under pooling is available to carry forward against subsequent rents from the same property.
- Expenditure on properties not let at full rent or at less than the open market value cannot be pooled.

HOMESTAY

Special provisions apply where individuals provided accommodation in their own homes during TT fortnight. As part of the "Homestay Scheme", the Assessor will not pursue the income tax liability on that income, provided the gross income received before expenses does not exceed £1,800. Whilst the liability will not be pursued, the total income figure must be declared.

Income from "Homestay" other than in TT fortnight should be declared separately.

OTHER INFORMATION ABOUT RENTAL INCOME

You should declare all rental income you receive, even if you do not make a profit. Please provide a schedule of income and expenses and include the figures in section 11 of the return form. The income and expenditure will be included in your assessment notice.

13 DIVIDEND AND OTHER NON-TAXABLE DISTRIBUTIONS FROM ISLE OF MAN COMPANIES

Taxable Distributions

If you hold shares in an Isle of Man company, those shares entitle you to a share in the profits of that company which will normally be paid out in the form of a dividend or distribution. To assist you with identifying how much you should declare as income, the Division recommends that the company provides you with a voucher/certificate detailing each separate element of the payment.

A company may pay one or more of several different types of dividend or distribution, depending on the tax rates and charges applicable to the company. Some dividends carry tax or DPC credits that can be claimed and used to settle part of your income tax liability. Dividends which should be declared in this section include gross dividends, dividends with 10% credits, dividends with DPC credits and dividends paid from reserves which carry non-refundable tax credits.

DIVIDEND AND OTHER NON-TAXABLE DISTRIBUTIONS FROM ISLE OF MAN COMPANIES - CONTINUED

For distributions made prior to 21 February 2012, full details of the dividend and distribution types a company can pay can be found in section 12 of the Guidance Notes, GN38 The Pay & File Income Tax System for Companies. For distributions made on or after 21 February, please refer to the Practice Note, PN147/12 Removal of Concessions – Distributions and the Guidance Notes, GN49 Taxation of Distributions from Corporate Taxpayers. All documents are available on the Division's website.

You may only have received a single payment from a company, but that payment could be made up of a number of different types of dividend or distribution - each of which has its own specific tax treatment.

You may not have actually received a cash payment for the full amount on the voucher/certificate given to you by the company; some, or all of your dividend may have been credited to a loan account within the company instead. This does not change the fact that the dividend is income, and you should declare the full dividend amount.

If the company has given you a certificate or other document detailing the dividend you have received plus any credits you are entitled to claim, please attach this to your return.

If the company has not given you a certificate or details of the dividend you have received, but you know how much you received please complete the return with the details that you have. If you believe that you are entitled to claim tax or DPC credits, you should contact the company and ask for the certificate as credits cannot be given without a certificate.

Attributed Income

It is not practical to provide full details here of how the attribution regime for individuals (ARI) operates, but the following guidance notes contain more information:

GN41 - Attribution Regime for Individuals (how ARI applies to companies)

GN42 - Overview of Attribution Regime for Individuals (how ARI applies to shareholders)

These guidance notes can be viewed on the Guidance Notes page of our website and we recommend that you read them before completing this section of your return.

All relevant companies must provide their Isle of Man shareholders with a certificate of attributed profits within 12 months of the end of the company accounting period.

If you do not receive a certificate of attributed profits as expected, please contact the directors of the company as they have a statutory requirement to provide you with one within 12 months of the end of the company accounting period.

The attributed profits on the certificate will be treated as income for the year of assessment in which the date of attribution falls, and you should declare the amount of attributed profits in the "attribution" box.

If you have also received dividends from the profits which have been attributed, these will not be taxed as well but you should still give details of them on your tax return. Guidance Notes, GN42 Overview of Attribution Regime for Individuals, explains in more detail what to do if you receive dividends from profits that have been, or will be, attributed.

If you are unsure of how to complete this section please speak to your professional adviser or, if you do not have a professional tax adviser, please contact the Income Tax Division. If you leave the section blank and it later transpires that you did receive dividends or profits were attributed to you in the year, you may be charged penalties and interest for failing to declare taxable income.

13 DIVIDEND AND OTHER NON-TAXABLE DISTRIBUTIONS FROM ISLE OF MAN COMPANIES - CONTINUED

Distributions not Taxable by Concession and previously Attributed Income

Practice Note, PN174/12 Removal of Concessions – Distributions revised the Assessor's previous practices with regards to the taxation of distributions. It is not practical to provide full details here of the operation of the Practice Note, but the Practice Note itself and Guidance Notes, GN49 Taxation of Distributions from Corporate Taxpayers, which are available on our website, provide further information. We recommend that you read them before completing this section of your return.

With effect from 21 February 2012, the Assessor will not seek to tax certain distributions from Isle of Man companies in the hand of the recipients. However, these distributions are still classed as income for Personal Allowance Credit calculations and, therefore, should be declared on your return.

If you receive a distribution from previously attributed income, no further income tax will be due, however the income should be declared on your return.

15 INTERACTION WITH OTHER TAX JURISDICTIONS

If you, your spouse or civil partner were resident in another jurisdiction during the period, it may have implications for your Isle of Man income tax position. Please note that paying tax in another jurisdiction does not necessarily make you tax resident there. The Isle of Man has a number of tax agreements with other countries, full details of which can be found on the Division's website.

If you receive a private pension from a treaty partner then you may be able to receive it without the deduction of tax at source. It will then form part of your worldwide income which is assessed by the Isle of Man Income Tax Division. Please contact the relevant jurisdiction for further details on how to make this claim.

In order to make a UK claim, HM Revenue & Customs forms can be obtained from www.HMRC.gov.uk

USEFUL ADDRESSES

UK Pension Double Taxation Treaty Relief - Write to: HMRC, PO Box 4000, Cardiff, United Kingdom, CF14 8HR

Claiming UK Personal Allowances (Non-Residents) - Write to: HMRC Saxon House, 1 Causeway Lane, Leicester, United Kingdom, LE1 4AA

Making a claim to HM Revenue & Customs may affect your Isle of Man income tax liability. In all cases a copy of the final statement from HM Revenue & Customs should be sent to the Division as soon as it has been received. If you have several sources of UK income it will be advisable for you to retain a copy of the self assessment return made to HM Revenue & Customs as this may also be needed to help verify your entitlement to double taxation relief in your Isle of Man income tax assessment.

16 UNITED KINGDOM, OVERSEAS BANK AND LOAN INTEREST

If you, your spouse or civil partner receive bank interest or loan interest from the UK, which has had UK tax deducted at source by the bank, you may be entitled to claim some or all of this tax back depending on the total amount of your UK income.

You may also be able to make an application for the interest to be paid to you in future without deduction of UK tax.

Provided you are not resident in the UK, you can:

- Use form R43 to reclaim UK tax deducted at source; and
- Use form R105 to apply for UK interest to be paid without deduction of UK tax.

These forms are available with full guidance on the HMRC website at www.HMRC.gov.uk

If your UK income is below the UK personal allowances you must claim back the UK tax deducted at source as you will not be eligible for double tax relief in your Isle of Man income tax assessment for that year. If you are going to make a claim, please state the years covered by your claim in section 22 of this return.

If you receive bank interest after deduction of tax from any other country, please check with the tax authorities there to see if they operate a similar reclaim system to the UK.

More details about relief for double taxation on UK and overseas bank interest in your Isle of Man income tax assessment can be found in Guidance Notes, GN5 Double Taxation Relief.

17 BRITISH GOVERNMENT SECURITIES AND DEBENTURE INTEREST

Double Taxation Relief for any UK tax paid on British Government Securities is generally only available if you are also a resident of the UK for income tax purposes. The UK often refers to these investments as "FOTRA Gilts" in their guidance material.

18 UNITED KINGDOM AND OVERSEAS DIVIDENDS, LOAN AND DEBENTURE INTEREST

The tax credit on UK dividends is tax paid by the company, not by the individual, therefore no Double Taxation Relief is available. Double Taxation Relief may be available in respect of UK dividends, where the person has paid tax at more than the standard rate of UK income tax.

In all cases the net UK dividends payable is taxed in the Isle of Man income tax assessment.

20 INVESTMENT PRODUCTS

There are many investment products marketed by financial institutions and advisors. Some of these products are advertised with a tax free status as a result of United Kingdom Tax legislation e.g. PEPs and ISAs. This tax free status does not apply in the Isle of Man and you should declare any income from these products. You should also declare any regular withdrawals or proceeds from any income accumulation funds.

If you are in any doubt as to the taxability of your investment product, you should contact the Income Tax Division for advice.

24 PENSION CONTRIBUTIONS

Contributions that you make to an Isle of Man approved retirement benefit scheme or personal pension scheme may qualify for income tax relief.

If you are not employed or self-employed, but you receive taxable income from other sources, you may be able to claim tax relief up to the 'minimum allowance'.

Contributions in excess of the 'minimum allowance' are only allowable if you have the appropriate relevant earnings. Relief will be restricted if your contribution exceeds your relevant earnings or the 'annual allowance'.

The 'minimum allowance' and 'annual allowance' are reviewed annually as part of the Treasury Budget. They are currently set at £3,600 and £300,000 respectively.

Details of contributions made to a superannuation scheme should **not** be entered here and should instead be included at Section 5. In addition, any pension contributions made by your employer by way of a salary sacrifice arrangement are not personal contributions and should **not** be entered here.

25 MORTGAGE AND OTHER INTEREST

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Tax relief is only allowed on interest paid to a lender who is liable to Isle of Man income tax. In addition, if interest is paid to a company, that company must be in the business of lending money.

If the loan is held jointly with another person other than a jointly assessed spouse or civil partner, you should only claim the amount of interest that you have actually paid.

The lender should send you a certificate of interest to enable this section to be completed. If it is the first year of the loan please include the certificate with this form. Otherwise please retain the certificate as the Income Tax Division will request them periodically.

27 EDUCATIONAL DEED OF COVENANT

Only payments made under a valid Educational Deed of Covenant entered into on or before the 5th April 2011, are eligible for relief. A copy of the deed of covenant should already have been submitted to the Income Tax Division and approved as eligible for relief.

28 CHARITABLE DONATIONS

Deed of Covenant

Charitable donations made under a deed of covenant will be allowed as a deduction from total income in the tax year in which they are paid, provided that the deed of covenant is:

- Irrevocable
- Not for consideration in money or money's worth
- For longer than three years

There are currently no minimum or maximum limits for the amounts allowable. A copy of the deed of covenant should be submitted to the Income Tax Division.

Other Donations

Smaller or informal donations to a charity are allowable as a deduction from total income. In all cases evidence of payments must be provided. Relief is available for donations to separate charities of £100 or more per charity. The maximum a person can claim is £7,000 of total donations per person per year.

29 NURSING EXPENSES

Relief is available if you or your spouse/civil partner pay for yourself, your spouse/civil partner or a relative to be looked after either by a registered nurse or at a registered home. Relief may also be available if you pay a nursing agency to provide registered nursing cover. In either case evidence of payment will be required. The maximum relief in any case cannot exceed the personal allowance. The relative must be severely disabled either mentally or physically and, as a result, need prolonged or repeated attention.

Claims for payments to a registered nurse

Relief is available for any amount, subject to the maximum noted above, paid by you or your spouse/civil partner to a registered nurse to care for yourself, your spouse/civil partner or a relative to be looked after in your home. A registered nurse is a person who holds a qualification in nursing and is on the register maintained by the United Kingdom Central Council for Nursing. If you receive any contribution to the cost of this care from elsewhere this should be deducted and only the net amount claimed.

Claims for payments to a registered nursing home

You can claim relief for payments made by you or your spouse/civil partner to a nursing home in the Isle of Man, for the care of yourself, your spouse/civil partner or any other relative. The nursing home must be one which is registered under the Nursing and Residential Homes Act 1988 with the Department of Social Care. If you receive any contribution towards this cost from elsewhere it should be deducted and only the net amount claimed.

30 PRIVATE MEDICAL INSURANCE

Payments made to an eligible Private Medical Insurance contract will be allowable up to a maximum of £1,800 per person each tax year.

Relief is available if you pay premiums on an eligible contract for any person resident in the Island who is over 60, or if you pay premiums on a joint eligible contract for yourself and your spouse/civil partner and either of you are over 60. For jointly assessed couples, where both partners are insured, and at least one partner is over 60, the maximum deduction is £3,600.

Private Medical Insurance contracts should provide cover for medical or surgical treatment. Hospital Income Plans and Personal Injury Plans are not allowable. For further information please see Guidance Notes, GN14 Private Medical Insurance on the Division's website.

31 PAYMENTS TO NON-RESIDENTS LIABLE TO ISLE OF MAN INCOME TAX

A person who makes certain payments directly or indirectly to a person (including a company), who normally lives outside the Isle of Man, may be required to deduct income tax from the payment before it is made. The types of payments include royalties, rents and certain loan interest. Enter the gross amount of any payments made. A separate notification will be sent if deduction of tax is required.

33 STATEMENT

If you or your spouse/civil partner have the right to receive any other income not already declared on this form it must be declared in this section. This includes income from other persons, companies, settlements, trusts or any other entity.

Full details of the right to the income is also required.

34 AGENT AUTHORITY FOR INCOME TAX AND NATIONAL INSURANCE

It may not be possible for you to deal directly with our office so you may wish to nominate an agent to deal with your tax and national insurance affairs. If you nominate someone, we will deal directly with that person if we have queries and will send them future returns and copy assessments. If you only wish the agent to act for tax purposes you should note this in section 34 of the return form.

36 AUTOMATIC TRANSFER OF REFUND

By ticking the "Offset Credit" box you are authorising the Income Tax Division to transfer any refund to a liability which is not yet payable.

For example, a refund cheque may be issued to you in December, when a liability is payable in January. If your refund is sufficient to clear the balance due in January you will be refunded any excess.

If your refund is less than the balance due, the refund will be transferred to reduce the balance outstanding.

38 DECLARATION AND SIGNATURE

Failure to declare all the income of yourself or your spouse/civil partner may result in you being charged a penalty of 100% or in some cases 200% of the tax on the income which was not disclosed at the proper time. This is in addition to interest on the income tax not collected as a result of the omission.

You should therefore ensure that you have declared all your income and if married, your spouse/civil partner's income, before signing the declaration.

Failure to sign the declaration will result in the return form not being accepted and returned to you for signature. In the case of jointly assessed couples, BOTH parties must sign the return form.

COMPLAINTS/APEALS

The Division operates in accordance with the Isle of Man Government's standardised procedure when dealing with complaints of maladministration. If you wish to make a complaint you should write to the Division's Complaints Officer who will deal promptly with the matter. The procedure does not apply where a person is aggrieved by an assessment, for example, where there has been an error in the computation, or where a decision has been made which results in a claim for an allowance, deduction or relief being refused. Such issues are dealt with under the appeals procedure.

You are entitled to appeal against an assessment if you consider it to be incorrect. To do so, you should write to the Income Tax Division within 30 days of the date of the assessment setting out the reason why you consider the assessment to be wrong. If agreement cannot be reached the appeal will be listed for hearing before the Income Tax Commissioners.

CONTACT INFORMATION

If you require any further information, please do not hesitate to get in touch:

Address: The Treasury, Income Tax Division, Second Floor,
Government Office, Buck's Road, Douglas,
Isle of Man, IM1 3TX

Telephone: (01624) 685400

Fax: (01624) 685351

Opening hours: Monday - Thursday 9.15 am - 5.00 pm
Friday 9.15 am - 4.30 pm

E-mail: incometax@gov.im

Website: www.gov.im/incometax