



Isle of Man Government

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INCOME TAX

ISLE OF MAN GOVERNMENT
INCOME TAX RATES AND
STANDARD ALLOWANCES

INCOME TAX

INCOME TAX

1. Introduction

Income tax was first introduced in the Isle of Man by the Income Tax Act 1918 which is described in its preamble as being "An Act to provide for a Tax on income". The system of taxation introduced by the Income Tax Act 1918 introduced was based broadly upon the system then in operation in the United Kingdom and in many respects the similarities remain. This is an important factor as regards the interpretation of the provisions of the Manx Income Tax Acts because in a case where the interpretation of a provision or an expression in those Acts has been the subject of an appeal in the courts of the United Kingdom, the judgment in that appeal is a persuasive authority for the adoption of the same interpretation in a similar case in the Isle of Man.

The Income Tax Act 1918 was followed by successive amending Acts in the years that followed until the then existing legislation was consolidated in the Income Tax Act 1946. This was, in turn, followed by successive amending Acts until the then existing legislation was consolidated in the Income Tax Act 1970.

The Income Tax Act 1970 has since been amended by the

- (i) Income Tax Act 1971;
- (ii) Income Tax Act 1973;
- (iii) Income Tax Act 1974;
- (iv) Income Tax Act 1976;
- (v) Income Tax Act 1978;
- (vi) Income Tax (Retirement Benefit Schemes) Act 1978;

and

- (vii) Income Tax (Amendment) Act 1979.

These Acts are collectively referred to as being "the Income Tax Acts 1970 to 1979". Section 120 of the Income Tax Act 1970 includes the following definitions—

"Income Tax Acts" means this Act and any other enactment relating to income tax;

"Manx income tax" and "Manx tax" means income tax payable under the Income Tax Acts.

The Income Tax Bill 1979 contains the new income tax provisions that were proposed by the Finance Board as a part of the Budget for 1979/80. The Bill was given its first and second readings by the House of Keys on 30th October and 6th November, 1979, respectively. It was then referred to a Select Committee for consideration. As it is unlikely to complete all its stages and obtain the Royal Assent before some time in 1980, the Bill is likely to be known as the Income Tax Act 1980 when it is enacted. It is proposed that the provisions of this Bill, when enacted, shall have effect in respect of the income tax year commencing on 6th April, 1979, and of each succeeding income tax year.

Return Form Guide 2019-20

Guidance Note – GN 1



ONLINE TAX SERVICES

Switch. Save. Smart.
It's time for change - are you with us?



Small steps can make a big difference. Register at www.gov.im/incometax

To register and enrol for Online Tax Services visit www.gov.im/onlineservices and select "Income Tax" then "Individual Tax Services". Follow the instructions to register your online account and request your activation and security codes to enrol for the service. You can also receive these codes securely over the phone by contacting the Division on 685400.

Did you know that last year almost half of the tax paying population filed their tax return online, both saving administration costs and enabling the user to experience the convenience and simplicity of our Online Tax Service?

This simple and secure service allows you to:

- File your tax return efficiently and securely, at a time that suits you
- Summarises information provided in the previous year which acts as a checklist to enable you to submit an accurate tax return
- Receive instant confirmation of your tax return submission
- Receive and review your assessments, codes and letters online
- Make secure and easy payments online
- Receive refunds directly into your bank account

If all our clients submitted their personal tax returns online the saving of taxpayers' money would be more than £600,000 each year.

If you have a QR scan app on your mobile device, simply scan the following code to be directed to online services.

- No more filling in a paper tax return every year
- No more waiting in a queue at our public counters
- No more writing cheques or making payments over the phone



Individual Tax Return Submission Dates

Tax returns are required to be submitted within six months of issue. You can find the due date on the front page of this return.

You will be charged penalties of up to **£300** if you submit your tax return late, so why waste your money when you can file easily and securely using Online Tax Services!

PLEASE NOTE:

This guidance has no binding force and does not affect your right of appeal on points concerning your liability to tax.

The information in this booklet can be provided in large print on request.

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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.

SECTION 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 section 4).

SECTION 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.

SECTION 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.

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.

SECTION 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 that 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 as confirmation of your earnings and tax paid.

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.

Please enter the value of any goods or earnings in kind provided by virtue of your employment during this period. For Isle of Man employment form T9 should be supplied to you by your employer. Benefits from other sources should be accompanied by a similar certificate from the country of origin.

If you are a mariner who spends more than 183 days a year absent from the Isle of Man and sails 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.

SECTION 6 – SELF-EMPLOYMENT

For more detailed information, please see [Guidance Note GN4: Self-Employment](#) on the Division's website.

It is important to note that your status as self-employed must be approved by the Division. To register as self-employed, or if you have any queries regarding your status, please contact the Division.

General information

- 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.

A sample income and expenditure statement (Form R242) can be found on the Division's website under "Forms".

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
- 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.

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.

Accounts drawn up on a Cash or Accrual Basis

The cash basis records the income and expenses when they are actually received or paid out. Under the accrual basis income and expenses are recorded when the income is earned or the expenses are due, regardless of when the money is actually received or paid out.

National insurance

As stated previously, your self-employed status may not be accepted unless it has been applied for and subsequently approved by the Income Tax Division for Tax and National

Insurance. If self-employed status is approved then you may be liable to pay Class 2 and 4 National Insurance, depending on your level of earnings.

United Kingdom or overseas self-employment

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

If you receive income from a non-profit-making source of self-employment or a 'hobby', you should still declare this, even if you did not undertake the activity with a view to making a profit.

SECTION 9 – 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.

SECTION 10 – 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: Assessment of Income Arising from Land and Property 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 must 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 10 of the return form. The income and expenditure will be included in your assessment notice.

SECTION 12 – 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% or 20% credits, dividends with DPC credits and dividends paid from reserves which carry non-refundable tax credits.

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.

Payments relating to sales of Goodwill or Unquoted Shares

On 20 February 2018 new legislation was introduced aimed at reducing the tax loss that can occur in the following circumstances:

If goodwill or unquoted shares were sold by a participator to their own company before 20 February 2018 then any subsequent loan repayments from the company to the participator after this date may be chargeable as a dividend first for income tax purposes.

Likewise, if goodwill or unquoted shares were sold from a participator to their company on or after 20 February 2018 then this transaction itself may be chargeable as a dividend first for income tax purposes.

If you have been party to such transactions then the relevant amounts should be declared as taxable dividends in this section. Further details may be found in Practice Note 202/18: Payments to Participators Relating to Sales of Goodwill or unquoted Shares.

Share buybacks

If a company has bought back its shares from you, for more than the amount originally paid to the company for these shares, then this excess may be taxable on yourself as an income distribution. If you have received such an amount then please declare this on your tax return in the dividends section and provide any relevant details to help explain matters.

SECTION 14 – INTERACTION WITH OTHER TAX JURISDICTIONS

If you or your spouse/civil partner were resident in another jurisdiction during the period, this 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 pension from another jurisdiction, you may be able to receive it without the deduction of tax at source, so that the pension is only subject to tax in the Isle of Man. You will need to contact the relevant jurisdiction for further details.

If you are in receipt of income that has suffered tax in another jurisdiction, you may be able to claim double taxation relief in respect of that tax.

United Kingdom

If you wish to claim a repayment of UK Income Tax or apply for relief at source from UK Income Tax, guidance and the relevant forms can be found at www.HMRC.gov.uk

If your UK income is below the UK personal allowances you must claim back any UK tax deducted at source as you will not be eligible for double taxation relief in your Isle of Man income tax assessment for that year. If you wish to make a claim, please state the years covered by your claim in section 21 of this return.

Making a claim to HM Revenue & Customs or to the tax authority of another jurisdiction may affect your Isle of Man income tax liability. In all cases, a copy of the final statement from the relevant tax authority should be sent to the Division as soon as it has been received. If you have several sources of foreign income, you should retain a copy of all relevant tax returns and statements, as this documentation may be needed to help verify your entitlement to double taxation relief in your Isle of Man income tax assessment.

More details about claiming relief for double taxation on UK and overseas income in your Isle of Man income tax assessment can be found in [Guidance Note GN5: Double Taxation Relief](#).

SECTION 15 – UNITED KINGDOM, OVERSEAS BANK AND LOAN INTEREST

Up to 5 April 2016, UK tax was deducted at source from UK bank interest. This is no longer the case and, with effect from 6 April 2016, UK bank interest is paid gross.

SECTION 16 – 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.

SECTION 19 – 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 UK 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.

SECTION 21 – 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 are also required.

SECTION 22 – EMPLOYMENT EXPENSES

Professional subscriptions paid

In order to be eligible to claim relief for subscriptions paid to a professional body, the subscription must be relevant to your employment. Fees paid to a professional body, society or institute may also be allowable, but only if the membership is necessary for you to work within your profession. Union fees are not an eligible expense.

SECTION 23 – 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 £50,000 respectively.

Details of contributions made to an occupational pension scheme operated by your employer (often referred to as 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.

SECTIONS 24 AND 25 – MORTGAGE AND OTHER INTEREST

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 and the loan arranged and made in the course of that business.

Relief is restricted to the lower tax rate of 10% and the relief will be treated as reducing your total income tax liability. For the 2019/20 tax year, the maximum amount of mortgage and loan interest in respect of which a single person can claim tax relief is £5,000.

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.

SECTION 26 – 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; and
- in favour of an Isle of Man or UK registered charity.

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. Relief is restricted to the lower rate of tax.

Other donations

Relief is available for smaller monetary donations to Isle of Man or UK registered charities, subject to a minimum donation of £100 per charity in any one tax year. The maximum a person can claim is £7,000 of total donations per person per year and relief is restricted to the lower rate of tax.

SECTION 27 – 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 claim for relief is subject to a limit as set by the budget in each year and relief is restricted to the lower rate of tax. 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 Regulation of Care Act 2013 with the Department of Health and Social Care. If you receive any contribution towards this cost from elsewhere it should be deducted and only the net amount claimed.

SECTION 28 – 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 and relief will be restricted to the lower rate of tax. 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 Note, GN14: Private Medical Insurance](#) on the Division's website.

SECTION 31 – PAYMENTS LIABLE TO ISLE OF MAN INCOME TAX

If you made rent or interest payments (excluding interest paid to any financial institutions) during the year please provide the details in this section.

If the payments are made to a person (or a company) who normally lives outside the Isle of Man you may be required to deduct income tax from the payment before it is made. Please enter the gross amounts of the payments made in section 31. A separate notification will be sent if deduction of tax is required.

SECTION 32 – AGENT AUTHORITY FOR INCOME TAX AND NATIONAL INSURANCE

If you appoint an agent to deal with your tax affairs on your behalf, we will deal directly with that person if we have queries and will send returns, copy assessments and correspondence to them. If you only wish your agent to act for you in respect of tax purposes, please tick the box to indicate that you do not wish your tax agent to have access to your National Insurance records.

SECTION 34 – 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.

This authorisation will remain in place until you ask us to remove it.

SECTION 35 – DECLARATION AND SIGNATURE

Failure to declare all the income of you 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/APPEALS

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