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Introduction of Compulsory Online Filing of Company Tax Returns

A Proposal Document

Issued by:

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Introduction of Compulsory Online Filing of Company Tax Returns

1. Introduction

The Treasury Minister, Eddie Teare MHK, said in his Budget speech of 18 February 2014:

“The range of Online Tax Services has continued to expand, as has their use. One in five individuals now use this service to file their annual tax return, and I previously introduced legislation making it compulsory for employers to use the online service, which is working very well. Whilst contributing significantly to our economy as employers, due to our zero rate, the majority of companies on the Island pay little or no income tax. Over 50% of companies are now submitting their annual tax return online and therefore I feel that the time is right to ask the Assessor of Income Tax to introduce a compulsory online filing requirement for companies from April 2015.”

The purpose of this document is to outline the proposed requirement and seek views and comments on it.

2. Background

Online Tax Services for Companies were first introduced in 2007 as part of the Government’s commitment to increase the provision of services online. Since their introduction, the range of services available has been greatly enhanced and it is now possible for most companies, or their agents, to do all of the following online:

- submit their annual tax return and associated documents
- receive correspondence
- check their payment and return/assessment position for current and previous years
- agents – maintain client list.

In addition to these services, the Income Tax Division’s (the Division’s) own website provides access to:

- general information and latest news items
- forms
- legislation
- guidance and practice notes.

Through the provision of Online Tax Services for Companies and the information published on the Division’s website, it is therefore possible for most companies, or their agents, to carry out all of their statutory income tax business online. This offers a fast and convenient way for companies and their agents to manage their tax affairs.

There has been a steady take-up of these services, with more than half of companies already registered.

Are any changes needed to the current company online tax return or the submission process to enable all companies to use the service?

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3. Introduction of compulsory online filing of company tax returns

If a company normally engages an agent to look after their income tax affairs, the company will not be required to access the online services themselves, although they may find it beneficial to do so.

However, the company will need to ensure that their agent uses Online Tax Services for Companies in order to submit their annual tax return and supporting documents such as annual accounts.

3.1 Timetable for introduction

In his Budget speech the Treasury Minister said that the new system would apply from April 2015. Were the new system to apply to returns due on or after 6 April 2015 this would not allow sufficient time for the companies affected to change their processes.

One alternative is for the new system to apply to all companies with accounting periods ending on or after 31 December 2014.

EXAMPLES

Company 123 Limited	Accounting Period End Date:	30 September 2014
	Return Due Date:	1 October 2015
		Return can be filed on paper

Company 456 Limited	Accounting Period End Date:	31 January 2015
	Return Due Date:	1 February 2016
		Return must be filed online

Another possible alternative is for all companies with accounting periods ending on or after 5 April 2015 to be required to submit their income tax return online.

EXAMPLES

Company ABC Limited	Accounting Period End Date:	30 September 2014
	Return Due Date:	1 October 2015
		Return can be filed on paper

Company XYZ Limited	Accounting Period End Date:	30 April 2015
	Return Due Date:	1 May 2016
		Return must be filed online

As over 50% of companies are already using the system what, if any, factors would prevent the new system applying to all companies with accounting periods ending on or after 31 December 2014?

3.2 Exemptions

Compulsory online filing will only apply to companies. The following corporate taxpayers will not be required to use Online Tax Services for Companies to submit their annual tax return and supporting documents:

- Associations (including Investment, Members, and Sports & Social Clubs)
- Foundations
- Charities
- Companies in liquidation, receivership or administration
- Limited Liability Companies
- Protected Cell Companies.

A company may also be exempt from filing online if it satisfies the Assessor that it cannot access the internet.

4. Access and assistance

4.1 To access Online Tax Services for Companies

In order to use the services a company or their agent will need access to a computer with an internet connection. However, no further software will be required.

4.2 Assistance

If any company or their agent would like a demonstration of Online Tax Services for Companies, an appointment can be made for an officer of the Income Tax Division to provide this either on-site or at the Division's offices.

Video guides to assist in completion of the registration and enrolment process and an income tax return will be made available at www.gov.im/onlineservices.

Any company or agent requiring assistance when using the services can contact the Division's online support team and, if necessary, help can be provided on-site.

In addition, seminars may be held prior to the introduction of compulsory online filing to address any significant concerns ahead of implementation.

5. Feedback

Companies and agents wishing to submit their views on this document and the questions raised in it are invited to do so by Friday 11 July 2014, to:

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