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## PRACTICE NOTE

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PN 207/19

Date: 16 February 2021

**Please note that this guidance is an updated and replacement version of PN 207/19, which was originally published on 19 February 2019**

### NATIONAL INSURANCE HOLIDAY SCHEME

In his Budget speech, on 19 February 2019, the Minister for the Treasury, the Hon. A L Cannan, MHK, announced the introduction of a National Insurance Holiday Scheme aimed at attracting new people to take up employment and residence in the Island as well as attracting students back to the Island once they have completed their studies elsewhere.

#### WHO WILL THE SCHEME APPLY TO?

a) New residents

The scheme applies to anyone who takes up residence in the Island on or after 6 April 2019 and who has not been resident here for tax purposes at any time in the five tax years immediately preceding that in which they take up residence.

b) Returning students

The scheme also applies to any Isle of Man student who, on or after 6 April 2019, successfully completes a full time course of education outside the Island for a university first degree, a Higher National Diploma (or comparable course) or a postgraduate course and who, after completing that course, returns to the Island to live and work. It will not apply to students who have undertaken a course of distance learning or flexible learning.

#### HOW WILL THE SCHEME WORK?

The scheme began on 6 April 2019 and, in order for a person in a) above to be able to benefit from the scheme, they will need to commence permanent employment in the Island within 12 months of arriving here. However, a student in b) above will need to commence permanent employment within 5 years of successfully completing their course in order to benefit from the scheme.

A person who meets the requirements of the scheme will be able to apply for a refund of the Class 1 National Insurance contributions they pay as an employee during the first 12 months of their permanent employment here. Contributions refunded under the scheme will still be treated as paid for all other purposes. In order to obtain a refund of contributions the employment must satisfy a number of conditions.

## Employment requirements

An individual may benefit from the scheme if, within the required timescale, they take up employment that meets the following requirements:

- it is permanent employment;
- it requires the employee to work a minimum of 35 hours per week, except for any period the individual's employer claimed Salary Support;
- it is undertaken in the Island;
- it provides a minimum annual gross salary of £21,000 or would have provided a minimum annual gross salary of £21,000 had the individual's employer not claimed Salary Support and paid the individual a reduced salary (this requirement does not apply if the individual is a returning student).

To qualify for a refund, the person must remain in the employment for a period of more than 12 consecutive months or 12 months which are not consecutive provided that Manx Earnings Replacement Allowance (MERA) was awarded for the entire period of any interruption in employment. In addition, the employer must be Isle of Man resident for National Insurance purposes.

## Applying for a refund

An employee to whom the scheme applies and whose employment meets the conditions set out above can apply to the Income Tax Division for a refund of the Class 1 National Insurance contributions they pay as an employee during the first 12 months of their employment.

The application should be made after the end of the 12 months to which the claim applies but not later than six months after that date or where the individual was awarded MERA or received a reduced salary as a result of their employer claiming Salary Support, 12 months after that date. Applicants should use form R247 which will be made available as a downloadable document on the "[National Insurance Contributions](#)" page of the Income Tax Division website.

The Income Tax Division will review the request and, if necessary, ask the applicant to provide certain supporting documents.

## Refunding the employee Class 1 National Insurance Contributions

When an application is approved, a refund of the employee Class 1 National Insurance contributions will be made to the applicant up to a maximum amount of £4,000. However, if the person making the application has any outstanding liability to income tax or National Insurance at the time of making the claim, the refund will be offset against that liability first before any remaining amount is paid to the applicant.

In certain circumstances it will also be a requirement for the employer to be up-to-date with all Class 1 National Insurance contribution payments and all payments of Income Tax Instalment Payments in order for a refund to be made to the employee. This will be necessary where the person making the claim, or a person connected to them (or those individuals together) has control over the employer either as a director or in another capacity.

**Nicola Guffogg**  
**Assessor of Income Tax**

This Practice Note is intended only as a general guide and must be read in conjunction with the appropriate legislation. It does not have any binding force and does not affect a person's right of appeal on points concerning their own liability to income tax.

Comments and suggestions for improvements of issued Practice Notes and suggestions for future Practice Notes are always welcome.