



INCOME TAX ACT 1995

INCOME TAX (ATTRIBUTED PROFITS) (TEMPORARY TAXATION) ORDER 2007

**INCOME TAX (DISTRIBUTABLE PROFIT) (PRESCRIBED DEDUCTIONS)
ORDER 2008**

Approved by Tynwald

21st May 2008

Coming into operation in accordance with article 1

In exercise of the powers conferred on the Treasury by article 4(3)(d) of the Income Tax (Attributed Profits) (Temporary Taxation) Order 2007¹, and of all other enabling powers, the following Order is hereby made:-

Citation and commencement

1. This Order may be cited as the Income Tax (Distributable Profit) (Prescribed Deductions) Order 2008 and shall come into operation on the day it is approved by Tynwald.

Interpretation

2. In this Order-

“the 1970 Act” means the Income Tax Act 1970²;

“the Principal Order” means the Income Tax (Attributed Profits) (Temporary Taxation) Order 2007;

“distributable profits” has the same meaning as in article 2(1) of the Principal Order and is determined in accordance with article 4(3) of the Principal Order;

“corporate taxpayer” has the same meaning as in article 2(1) of the Principal Order.

Income liable to Isle of Man Income Tax at 10%

3. Where a corporate taxpayer is in receipt of income liable to Isle of Man income tax at a rate of 10 per cent on every pound of such income, that income shall, in accordance with

¹ SD 928/07

² Vol XXI p.260

article 4(3)(d) of the Principal Order, be deducted from the amount of the corporate taxpayer's profits when determining the amount of distributable profits for the purposes of calculating attributed profits under article 4 of the Principal Order.

Income Arising Outside the Island

4. Where a corporate taxpayer is in receipt of income arising in a country or territory outside the Island and that income is liable to foreign tax, by deduction or otherwise, at a rate equal to or greater than the prescribed higher rate of Manx income tax for individuals, the amount of the income subject to the foreign tax shall, in accordance with article 4(3)(d) of the Principal Order, be deducted from the amount of the corporate taxpayer's profits when determining the amount of distributable profits for the purposes of calculating attributed profits under article 4 of the Principal Order .
5. Where a corporate taxpayer has paid, by deduction or otherwise, or is liable to pay foreign tax at a rate that is less than the prescribed higher rate of Manx income tax for individuals, the amount of the foreign tax paid shall, in accordance with article 4(3)(d) of the Principal Order, be deducted from the amount of the corporate taxpayer's profits when determining the amount of distributable profits for the purposes of calculating attributed profits under article 4 of the Principal Order.

Made this 9th day of April 2008



Minister for the Treasury

EXPLANATORY NOTE

(This note is not part of the Order)

Following the coming into operation of the Income Tax (Attributed profits) (Temporary Taxation) Order 2007 a resident member with an interest in a relevant company will be liable to pay income tax on an attribution of the distributable profits of that company.

This Order will ensure that the proportion of the profit that is subject to the 10% rate shall not be subject to attribution, leaving only the 0% element. The calculation of distributable profit does not include provision for Double Taxation Relief, which would be allowed if the profit had been subject to income tax at a rate greater than 0%; this Order shall provide a form of relief from double taxation where the profit is taxed at 0% but is subject to the attribution regime for individuals.