

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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Introduction

1. Income tax, school leavers & students

The aim of this leaflet is to help you to understand the basics of the income tax system and to explain how it will affect you after you leave school or become a full-time student.

2. What is income tax?

Income tax is your contribution to what the Government spends on public services. Everyone who earns or receives income in the tax year may pay tax on it. The amount of tax that you pay depends on your personal circumstances. The tax year does not follow the calendar year but runs from 6 April of one year to 5 April of the next.

If you work for somebody they will usually take the tax from your wages or salary each time they pay you and pass it on to the Income Tax Division. This is known as the ITIP (Income Tax Instalment Payments) system.

3. What do I pay tax on?

You normally pay tax on all kinds of earnings including wages, tips, bonuses, part-time work and on interest from banks, etc. or any income from deeds of covenant. Some Social Security benefits are taxable, others are not. For example, sickness benefit is not taxable, but income support is.

You do not pay tax on:

- student grants
- scholarships
- most research awards.

School leaver

4. Do I pay tax on everything I earn?

Everyone can earn or receive a certain amount of income without paying tax on it. This is called the **personal allowance**. The amount will depend on your personal circumstances, e.g. whether you are single, married and living with your spouse, a single parent etc. If your income is more than the personal allowance, you will probably pay some tax at the standard rate of 10% and may even pay some tax at the higher rate of 20%.

5. Can I claim expenses?

Most people in jobs cannot claim expenses for tax purposes. The cost of tools or protective clothing used at work can sometimes be claimed if they are not provided by your employer. You cannot claim for National Insurance Contributions or the cost of travelling to and from work.

6. When do I start to pay income tax?

You will probably start to pay tax when you get your first job.

If you go straight to a job when you leave school, you should contact this office as soon as possible and ask for a School Leaver – Personal Details Form (T18).

A tax code will then be issued to you and your employer, which determines how much tax will be taken from your wages when you are paid. If you do not complete one of the personal details forms, the amount of tax deducted from your wages or salary might be incorrect.

Student

7. I am a placement student – what is my position?

The pay you get during practical training from an employer is taxable.

8. Do I get any tax allowances?

If you live in the Isle of Man you will be entitled to claim personal allowances. The amount of allowances will depend on your personal circumstances, e.g. whether you are single, married and living with your spouse, a single parent etc.

If you do not live in the Isle of Man the rules are different: and income from the Isle of Man may have tax deducted at source at the higher rate of 20% in some circumstances.

9. What about covenants?

A deed of covenant is a legally binding undertaking whereby a person, usually a parent or grandparent, promises to pay an amount to a student aged between 18 and 25 and in full-time higher education. A deed of covenant may also be made if the student is aged between 16 and 18, their course fees are paid by the Department of Education, and they meet some other conditions.

Income received under a covenant is taxable and must be declared on your tax return. This form of income needs to be taken into consideration when deciding what tax code is appropriate for you.

The person making the covenant payment can claim a corresponding amount as a deduction from income tax; which has the effect of reducing the amount of tax they pay.

Please note that tax relief in respect of educational deeds of covenant is restricted to payments made under covenants that have been entered into on or before 5 April 2011 and where the student is in qualifying full time education at that date.

10. What should I do if I get a holiday job in the Isle of Man?

If you think your total income (including earnings, DHSS benefits and bank interest etc) in the whole tax year is likely to be **less** than the single person's allowance, you should contact the Income Tax Division to request and complete forms T18 and R104.

Your employer will then be issued with a „no tax“ (NT) code which will mean that you can be paid without any deduction of tax. If your taxable income is more than the personal allowance you will have to pay tax on the difference between the two amounts.

11. What happens if I claim benefit while unemployed during a vacation?

No tax will be deducted from your benefit when it is paid to you, but you must declare it on your tax return (see next section) because this benefit is taxable. You will only need to pay tax if the total amount of your income for the tax year exceeds your personal allowance.

Tax returns

12. Will I have to complete a tax return?

If you live in the Isle of Man and you are aged 16 or over you will be sent a tax return every year. You **must** complete and return it to the Income Tax Division.

If you live in the Isle of Man and you are under the age of 16, you will not have to complete a tax return unless ITIP has been deducted from wages or you have other income.

If you do not live in the Isle of Man and you do not have any other income liable to Manx income tax you will not need to complete a tax return.

If you should have been sent a tax return and you did not receive one, please ask for one to be sent to you.

13. What will happen if I don't complete a tax return?

If you fail to send in your completed tax return by 6 October following the end of the tax year an initial penalty of £100 will be charged. A further penalty of £200 will be charged if your tax

return remains outstanding on the following 6 April, (the dates may be different if you cease residence in the Isle of Man).

Further details are available in leaflet GN 35, called Income Tax Return – Penalty for Non-Submission, which is available on the Division’s website or on request by contacting the Division (see page 8).

Making a payment to Income Tax Division

14. What methods of payment are available?

Online – you can pay online with a credit or debit card after registering and enrolling for Online Tax Services at www.gov.im/incometax.

By Debit/Credit Card – we accept most debit and credit cards. You can pay either over the phone, online or at our counter. Please ring (01624) 685400 during normal office hours to pay over the phone.

By Bank Giro Credit – present the payment counterfoil with your remittance at any bank. A bank account is not required to use this facility.

By Post – make sure that the payment counterfoil is enclosed. Cash should only be sent through the post by Special Delivery.

At the Income Tax Division – 2nd Floor, Government Office, Douglas – Monday to Thursday 9.15 am to 5 pm; Friday 9.15 am to 4.30 pm. Please bring the assessment with you.

Cheques and postal orders should be made payable to the “Isle of Man Government” and crossed. Post-dated cheques are not acceptable. A receipt will only be issued if requested.

Help

15. Where can I go if I need help?

These notes do not cover every point but any queries that you still have can be answered by contacting:

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

Telephone: (01624) 685400

Fax: (01624) 685351

E-mail: incometax@itd.treasury.gov.im

Website: www.gov.im/incometax

If you would like to talk to someone in person, counter opening hours are as follows:

Monday to Thursday	9.15 am – 5.00 pm
Friday	9.15 am – 4.30 pm