



Isle of Man Government

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INCOMETAX

ISLE OF MAN GOVERNMENT

INCOME TAX RATES AND STANDARD RATES

INCOME TAX

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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 that 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.

Personal Allowance Credits

Guidance Note GN 29

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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WHAT ARE PERSONAL ALLOWANCE CREDITS?

Personal Allowance Credits (PAC) were introduced as a way of providing a cash payment to people whose income is below a specified amount.

PAC payments are made to all eligible persons receiving taxable income less than or equal to the upper income limit.

For a single person the upper income limit has been set at £9,500, and for jointly assessed married couples or civil partners the limit is £19,000.

As well as a maximum income level, there are a number of other conditions that you must meet in order to qualify for a PAC payment.

You do not need to make a claim for a PAC. The information submitted on your tax return for the previous tax year will be used to calculate your eligibility. If you do not wish to receive an automatic PAC, please advise the Income Tax Division in writing.

WILL I QUALIFY FOR A PERSONAL ALLOWANCE CREDIT PAYMENT?

The Personal Allowance Credit may be paid to you if you do not fully utilise your personal allowance and have met the necessary qualifying conditions.

You must have been resident in the Isle of Man for the full tax year to which the payment relates and:

- if you are assessed as a single person, your income for the year ended 5 April 2015, or any subsequent year, must be **equal to or less than** £9,500; or
- if you are assessed as a jointly assessed married couple or civil partners, your income must be **equal to or less than** £19,000.

You must also meet the qualifying conditions set out below.

Qualifying conditions

With effect from 6 April 2014, resident individuals must be 65 years of age or older at the start of the tax year to which the credit relates or be registered as visually impaired with the Manx Blind Welfare Society, or be in receipt of either Disability Living Allowance or Attendance Allowance during that tax year, in order to qualify.

Further restrictions

If an individual or jointly assessed couple meet the above qualifying conditions they will be excluded from receiving a Personal Allowance Credit on any of the following grounds.

From the tax year commencing 6 April 2010 onwards, if you were in full-time education at any time during the tax year, or serving a custodial sentence for the whole of the tax year, or your spouse or partner had their income tax liability capped, then you will not be eligible to receive a PAC.

In addition, for payments made in respect of the tax year commencing 6 April 2009 onwards, any pension scheme contributions that you have made will not be allowed as a deduction when calculating your gross income for PAC purposes.

Resident for the full year of assessment

You must have been resident in the Isle of Man for the full tax year on which your eligibility is based (i.e. the previous tax year). By resident, we mean that you must be resident in the Island for income tax purposes.

If you move to the Island, or leave permanently during a tax year, you will not be eligible to receive a PAC for that year.

Jointly assessed married couples or civil partners

If you are married or civil partners, and are jointly assessed, you must both meet the qualifying criteria in order to receive the full PAC payment for a jointly assessed couple. Where only one of you meets the criteria, the payment made will be half the amount payable to a jointly assessed couple. See "Jointly Assessed Couples" on page 8 for further details.

Independently assessed married couples or civil partners

If you are a married couple or civil partners and are assessed independently, you must each meet the same criteria to qualify for a PAC as a single person.

Death

The residency condition will not apply in cases where a person dies during a tax year provided they were resident from the start of the tax year and remained resident up to the date of their death.

The estate will be considered for a PAC payment based on the income received up to the date of death, providing all other conditions are met.

WHAT IS “INCOME” FOR THE PURPOSES OF PACs?

PACs are intended to help people whose gross income is below the level of the personal allowance.

Gross income is all of the income that you receive, from within the Isle of Man or the UK or overseas, subject to income tax.

Pension payments that are taxed in another country and are not subject to tax in the Isle of Man **will** be included when calculating your gross income.

Gross income (subject to tax) includes:

- wages, salary and income from self-employment;
- employment-related pension;
- TT Homestay payments (*not taxable under £1,800, but included for PAC purposes*);
- taxable social security benefits:
 - Child Benefit
 - Income Support
 - State Retirement Pension;
- bank and building society interest;
- income from sources outside the Isle of Man.

Social security benefits

Taxable social security benefits will be included in calculating gross income for PAC purposes. Non-taxable benefits will **not** be included.

If you are unsure whether a source of income is taxable or non-taxable, you should contact the Income Tax Division for confirmation of its tax treatment.

The following examples show the calculation of gross income for PAC purposes:

Example 1**Individual aged 70 at beginning of tax year:**

Income Type	Amount	Taxable
State Retirement Pension	8,900	Yes
Bank / building society interest	500	Yes
Gross Income	£9,400	

This person's gross income is below the £9,500 upper income limit, so they will receive a PAC.

Example 2**Individual aged below 65 at beginning of tax year:**

Income Type	Amount	Taxable
Income from employment	5,100	Yes
Child Benefit	1,060	Yes
Income Support	3,150	Yes
Gross Income	£9,310	

This person's gross income is below the £9,500 upper income limit, but they will not receive a PAC as they do not meet the age requirement.

Example 3**Individual aged below 65 at beginning of tax year:**

Income Type	Amount	Taxable
Income support	8,000	Yes
Disabled Person's Allowance	3,000	No
Gross Income	£11,000	

Although this person's gross income is above the £9,500 upper income limit, the Disabled Person's Allowance is not taxable and is excluded, so their gross income for PAC purposes is only £8,000. In addition, although the person is under the age of 65, they qualify to receive a PAC as they are eligible for Disabled Person's Allowance.

Example 4

Jointly assessed married couple / civil partners where partner 1 is aged above 65 at the beginning of the tax year, and partner 2 is aged below 65.

Income Type	Amount	Taxable
State Retirement Pension (Partner 1)	10,000	Yes
State Retirement Pension (Partner 2)	8,100	Yes
Gross Income	£18,100	

This couple's gross income is below the joint upper income limit of £19,000. However, only partner 1 meets the qualifying conditions. The couple will therefore receive half of the amount of PAC payable to a qualifying jointly assessed couple.

Example 5

Jointly assessed married couple / civil partners where partner 1 is aged above 65 at the beginning of the tax year, and partner 2 is registered as visually impaired but aged below 65.

Income Type	Amount	Taxable
State Retirement Pension (Partner 1)	10,000	Yes
State Retirement Pension (Partner 2)	8,100	Yes
Incapacity Benefit	3,000	
Gross Income	£21,100	

This couple's gross income is above the joint upper income limit of £19,000. However, the Incapacity Benefit is not taxable and is therefore excluded, so their gross income for PAC purposes is £18,100. In addition, partner 1 qualifies as they are over 65 while partner 2 qualifies as they are registered as visually impaired. The couple will therefore receive the full amount of PAC payable to a jointly assessed couple.

PERSONAL ALLOWANCE CREDITS FOR MARRIED COUPLES OR CIVIL PARTNERS

Jointly assessed couples

If you are married or civil partners, and are jointly assessed, the upper income limit and PAC amount are doubled.

It doesn't matter whether one partner's gross income exceeds £9,500, providing the combined total of both partners is not more than £19,000.

In order to receive a full PAC for jointly assessed couples, both partners must still meet the qualifying conditions as set out on pages 4 and 5.

Independently assessed couples

If you are married or civil partners, and are independently assessed, you will be considered individually for a PAC payment.

The qualifying conditions, upper income and credit levels for independently assessed couples are the same as for single people.

WHAT WILL HAPPEN IF I AM ELIGIBLE FOR A PAC?

If you are eligible for a PAC payment, based on the information submitted on your tax return, a PAC Notice will be sent to you and the payment by cheque will follow shortly after.

If you do not have a bank account, please see page 12 of this booklet to find out how to cash your cheque.

Please Note:

If you do not submit your tax return, you will not automatically be entitled to a PAC unless you have been advised by the Division that you do not need to submit a return.

OTHER IMPORTANT POINTS TO NOTE

PAC payments and other tax debts

If you are entitled to a PAC but also have outstanding debts of tax (including Class 2 and 4 National Insurance Contributions) the PAC will be offset against these debts before the balance, if any, is paid to you.

Revisions to PAC Notices

If the Division becomes aware that a PAC payment has been made incorrectly, a revised PAC Notice will be issued stating no payment was due. The amount overpaid will be collected in the same way as assessed income tax.

Right of Appeal

All PAC Notices are subject to the normal appeals process. To appeal, you should write to the Division within 30 days of the date of the PAC Notice setting out the reason why you consider it to be wrong. If agreement cannot be reached, the appeal will be listed for hearing before the Income Tax Commissioners. Contact information for the Division is shown on page 13.

FREQUENTLY ASKED QUESTIONS

I've never had a tax return before. Why have I been sent one this year?

If you have never received a tax return before, it is likely that all of the income you receive is either below the personal allowance or not subject to Isle of Man income tax so there has been no requirement for you to complete a tax return annually.

If you haven't received a tax return for a number of years, it is likely that the Division was satisfied that your gross income was below the personal allowance, and so your requirement to submit a tax return each year was suspended.

You have been sent a tax return this year so you can declare that your gross income is less than the upper income limit, and to enable you to be eligible for a PAC.

If your gross income is likely to remain below the upper income limit the next answer explains what may happen in future years.

My gross income is consistently below the £9,500 limit. Will I have to complete a return form every year?

If the Division is satisfied that your gross income is likely to remain less than the upper income limit (£9,500 for a single person or £19,000 for a jointly assessed couple), your requirement to submit a return form every year may be suspended.

Your PAC Notice and payment will be issued automatically each year.

What should I do if my circumstances change?

In order to ensure that the Division's records are as accurate as possible, you should inform us as soon as possible if any of the following occur:

- changing address;
- getting married or becoming a civil partner;

- separating from your partner;
- becoming a single parent;
- entering full-time education outside the Isle of Man;
- leaving the Island temporarily or permanently;
- ceasing work due to ill-health;
- retiring;
- moving into residential accommodation due to age;
- moving into residential/nursing accommodation due to ill-health.

Some of these events will have an effect on your eligibility to receive a PAC, whilst others will have an effect on the other types of tax allowances you may claim.

If you inform the Division as soon as you can after a change in your circumstances, you can ensure that you make a claim for all the tax allowances you are entitled to.

Can I still be eligible for a PAC if I am in full-time education outside the Isle of Man?

Provided you were resident in the Isle of Man for income tax purposes for the full tax year to which the payment relates, and you meet the qualifying conditions indicated above, then you may be entitled to receive a PAC.

Any earnings, benefits received or payments made to you under a Deed of Covenant during the year, must be declared on your tax return.

If the income or benefits you receive have already been taxed in the country in which you study, you may be entitled to Double Taxation Relief but they will be included when calculating your gross income for PAC purposes.

The “taxable income” on my tax assessment is below £9,500. Why aren’t I eligible for a PAC?

The taxable income on your assessment is the amount of income that your tax liability is calculated against.

Your personal allowance and other allowances such as additional personal allowance, and deductions such as professional subscriptions, tools and clothing allowance and personal pension contributions, for example, are subtracted from your gross income for the year to give your taxable income.

It is entirely possible for a person with those specific deductions, to have a gross annual income in excess of £20,000, but a taxable income of less than £9,500.

PACs are intended to benefit those people who are genuinely on a low income, rather than those whose taxable income is low because of extra allowances and deductions, so the fairest way to award them is to calculate them against a person's gross annual income.

I don't have a bank account. How can I cash my Personal Allowance Credit cheque?

The Division appreciates that not everyone has a bank account, so it does offer a facility of opening cheques to cash in specific circumstances at its public counter. Once the cheque is opened it can then be cashed at a bank.

- The cheque **must** have been issued to you by post by the Income Tax Division, it will not be possible to collect it in person.
- You **must** bring at least one of the following pieces of photographic identification:
 - passport;
 - driving licence;
 - bus pass.
- If your chosen piece of ID does not carry your signature, you will be asked to provide a specimen signature at the counter.

If you do not have any photographic ID, you may still be able to get your cheque opened to cash at the counter, but it is recommended that you contact the Income Tax Division to find out what forms of alternative ID will be accepted.

Please Note:

The Division **does not** cash cheques. In order to cash your opened cheque you should take it to a bank.

WHAT TO DO IF THIS GUIDE DOES NOT ANSWER YOUR QUERY

This leaflet is intended for guidance purposes only and, whilst every effort has been made to include as much information as possible, it does not cover every possible situation.

Every person's situation is unique so, if you have a question that is not answered in this guide, you can contact the Division as follows:

By telephone: (01624) 685400
By fax: (01624) 685351
By e-mail: incometax@gov.im

In writing: Income Tax Division
2nd Floor
Government Office
Buck's Road
Douglas
IM1 3TX

At the counter: General Enquiries counters are open:

9.15am – 5pm Monday to Thursday
9.15am – 4.30pm Friday

Website: www.gov.im/incometax

PERSONAL ALLOWANCE CREDIT CHECKLIST

Were you resident in the Isle of Man for the whole of the year of assessment to which your claim relates?	Yes / No
Were you aged 65 or over at the start of the year of assessment to which your claim relates, and/or were you eligible for either blind or disabled person's allowance?	Yes / No
Individual: Is your gross income for the year below £9,500?	Yes / No
Jointly assessed couple: Is your gross income for the year below £19,000?	Yes / No

Remember to include **all** your income:

- all social security benefits;
- TT Homestay;
- benefits paid from outside the Isle of Man;
- wages/salaries paid outside the Isle of Man;
- income from self-employment;
- income from employment;
- any other income you receive from outside the Isle of Man.

If you have answered **NO** to any of the above questions, you are not eligible for a Personal Allowance Credit.

If you are in any doubt about your residency status, or have queries about which income you should include in calculating your gross income figure, please contact the Income Tax Division.