



Isle of Man Government

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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 introduced by the Income Tax Act 1918 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.

Completion of Disclosure Reports

Guidance Note – GN33

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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1 INTRODUCTION

It is the taxpayer's responsibility to make a full and complete disclosure of all irregularities to the Income Tax Division. It follows that the taxpayer is personally responsible for the scope, completeness and accuracy of the Disclosure Report as prepared by the appointed Professional Advisor.

A Professional Advisor can discuss the progress of the report with the Division at any time to ensure that it is produced in the most cost effective manner whilst meeting the overall aim of a full and complete disclosure of all irregularities and a settlement to the enquiry.

Income Tax Division believes that the following matters (which are not exhaustive) should be considered for incorporation in the Disclosure Report. It does not however follow that it should contain a reference to every item. The Disclosure Report should be tailored to the specific case.

2 CONTENTS OF REPORTS

The report should contain the headings as shown below.

2.1 Introduction

You should include relevant items from the following within this section:

- Name(s) and address(es) of individual(s), companies or other entities covered by the report
- Period covered by report
- A statement of the personal and business history of the taxpayer, his wife and dependants including full details of all companies (including offshore companies) where they have:
 - held any interests in such companies such as being shareholders or beneficial owners etc (including through nominees), or;
 - acted as a director, secretary or manager of such companies (including through nominees).
- Full details of any trusts, settlements etc. where the taxpayer, his wife and dependants are settlers, trustees or beneficiaries.

2.2 Scope of Report

Include here:

- A statement outlining the origin of the enquiry
- The professional advisors terms of reference in relation to the enquiry.

2.3 Review of information previously submitted to Income Tax Division

This section should have a summary of the tax return and accounts for the year under enquiry and previous years. You should include relevant items from the following:

- Details of profits or income arising in each year.
- A schedule of all business books, records kept and available.
- A description of the books and records produced and examined for the purpose of preparing the accounts submitted to Income Tax Division, and the work carried out in preparing the accounts.
- Details of all estimates and balancing figures included in the books and records, and in the accounts subsequently prepared.
- Confirmation as to the accuracy or otherwise of the figure of debtors, creditors, stock, work in progress and reserves at each accounting date.
- An analysis of drawings and capital introduced, showing the nature and amount of each item.
- Evidence to support the nature and amount of any capital introduced.

2.4 Work carried out by the Reporting Professional Advisor

You should incorporate details of work carried out to meet the professional advisors terms of reference in preparing the Disclosure Report including:

- A full schedule of all business and private bank and building society accounts etc held solely by the taxpayer, his wife and dependants, or jointly with others at any time during the specified period.
- Details of any private records, bank accounts, expenditure etc. which were not previously considered or examined as part of the accounts or tax return preparation but which have now been examined and have impacted on the findings outlined in the report.
- Details of any additional business records now provided by the taxpayer which were not examined as part of the accounts preparation.
- Details of all amendments to the accounts arising from the review of all accounting records and information now available together with a schedule of all such transactions.
- Details of all personal or non-business expenditure identified as having been included within the accounts, together with a schedule of all such transactions.
- Details of all omissions and irregularities in the completion of sub-contractors' returns by the taxpayer under the sub-contractors' legislation.
- Details of all adjustments to either the business accounts or the personal income tax returns required as a result of the private side review.
- Details of any other omissions and irregularities not already included above.

2.5 Proposed Settlement

This should contain:

- Brief narrative proposals for settlement of the enquiry

A schedule showing details of revised profits, income or other irregularities for each year.

Where it is not considered possible to arrive at the revised profits or income based solely on any records and further information available, they should be computed using an appropriate alternative basis e.g. mark up exercise, business economics model, capital statements etc.

Full details of the methodology employed should be included either in this section or under the heading of work carried out by the reporting professional advisor

- A statement of features or matters calling for attention specifying any estimates or assumptions made in arriving at understated liability

3 CONCLUSION

The taxpayer should, by signing the report, indicate that:

- all relevant records and information have been provided to enable the report to be prepared.
- the report has been read and is correct and complete to the best of his/her knowledge and belief.
- the proposed settlement is accepted as a basis for settling the enquiry.

The professional advisor should, by signing the report, indicate that:

- the report has been prepared in accordance with the terms of reference, and;
- the results of the work carried out are as stated in the report.

4 CONTACT INFORMATION

Address	The Treasury Income Tax Division Second Floor Government Office Buck's Road Douglas Isle of Man IM1 3TX
Telephone	(01624) 685326
Fax	(01624) 685351
E-mail	incometax@itd.treasury.gov.im
Website	www.gov.im/treasury/incometax
Opening Hours	Monday to Thursday 9.15am – 5.00pm Friday 9.15am – 4.30pm