

IMPORTANT INFORMATION TO ASSIST WITH THE COMPLETION OF COMPANY RETURN FORMS (R1C)

This booklet is for your use and is not required to be returned to the Income Tax Division.

Further help in completing the return form is available by either telephoning or calling at the Income Tax Division. Guidance Notes (GN), Practice Notes (PN) and Statutory Documents (SD) may be viewed on the ITD website.

The telephone number is (01624) 685400

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Office opening hours are

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

IMPORTANT INFORMATION

- The return must be completed and submitted by the due date shown on the front page.
- Any tax charges payable are due on the same due date.
- Penalties will apply for late submission.
- Unacceptable returns will incur penalties if not re-submitted and accepted before the due date.

Introduction

Companies pay income tax in the Isle of Man on a pay and file system based on accounting periods. All companies, except those that have been specifically notified otherwise, are required to complete a Company Income Tax Return Form (R1C) and submit it to the Assessor of Income Tax by the due date stated on the front page, along with any amount payable. The amount of information required on the return depends on the ownership of the company and the income sources it has.

A return may be submitted for acceptance before the due date. Any tax payable does not need not be paid until the due date.

A return that is not accepted for one or more of the reasons stated in the sections of this guide will be sent back for completion or amendment and must be re-submitted by the due date in order to avoid receiving a penalty charge.

An unacceptable return submitted on the due date will incur a late return penalty.

This guidance note includes information on the completion of each section of the return form, including details of which companies must complete each section. The numbering of the following sections corresponds with the sections on the return for ease of reference.

OWNERSHIP AND RATES OF TAX

ALL companies must complete this section of the return.

- The answers provided to the questions in this section will determine which other sections of the return must be completed for the company.
- 'Ownership' means beneficial ownership. The residential status of registered shareholders who are nominees does not count. 'Non-resident' means not resident in the Isle of Man for income tax purposes.

If the company has no income then the reason why must be specified.

- Please select "asset holding company" if the company holds only non-income producing assets.
- Please select "nominee company" if the company is in receipt of income, or holding shares or other assets purely in a nominee capacity.
- Please use "other" if the company is neither an asset holding company, nor a nominee company, but has had no income for the accounting period. Please state the reason for the company having had no income, for example having been a shelf company following incorporation, dormant following cessation of trade or acting as a trustee.

Income received by companies is subject to Manx income tax at the standard rate of 0% **except** income from banking activities and from land and property situated in the Isle of Man, which is subject to Manx income tax at 10%. The specific nature of income subject to the 10% rate is defined in the Income Tax (Rates of Income Tax) (Resident and Non-resident Corporate Taxpayers) Order 2006 (SD 224/06).

A trading company whose income is subject to the standard rate of 0% may elect for its profits to be taxed at the 10% rate. An election must be made by the due date of the Return Form R1C, for the accounting period from which the 10% rate is to apply, and is irrevocable by the company for five consecutive accounting periods. Further information on making an election is contained in SD 224/06 and section 4.1 of GN 36 Distributable Profits Charge.

Accounts must be submitted if the company has income from a trade or profession or income subject to tax at the 10% rate.

- Companies with no Manx resident ownership **AND** no income subject to the 10% rate for the accounting period covered by the return are required to complete section 1 and sections 6 to 10 only.
- Companies with no Manx resident ownership **AND** no income at all for the accounting period covered by the return are required to complete section 1 and sections 7 to 10 only.

The return form will not be accepted if section 1 is not completed.

It will be sent back for completion and re-submission.

2 INCOME TAX COMPUTATION

This section must be completed by all companies with Manx resident ownership **OR** income subject to tax at the 10% rate for the accounting period covered by the return.

At Appendix 1 is a numeric list of the available Trade Classification Numbers (TCNs). A list of TCNs categorised according to the activity can also be found on our website at www.gov.im/incometax.

2.1 INCOME FROM TRADE OR PROFESSION

All companies with income from a trade or profession in the Isle of Man are required to complete this section of the return. Rental income should be noted at section 2.2.

- The 2XX-00 TCN appropriate to the trade or profession should be used.
- A separate computation to support the accounts and the figures in this section can be attached where required.
- 'Adjusted Profit' is the accounting profit or loss after adding back amounts not allowable for income tax purposes and deducting amounts not taxable as income, **plus** any amount accounted for as a capital receipt which is taxable as income **less** any amount accounted for as a capital payment which is deductible for income tax purposes (e.g. leasing payments).
- A separate capital allowances computation must be submitted to support the figures for capital allowances and/or a balancing allowance/charge.
- Where losses are surrendered or claimed as group relief, the name of the claimant or surrendering company (or companies) must be provided.
- Where the computation is not completed, the return form will not be accepted and will be sent back for completion.
- Where the supporting accounts are not submitted, providing all other relevant sections of the return form are complete, the return form will be accepted and the accounts will be requested separately.

2.2 INCOME FROM MANX LAND AND PROPERTY

All companies in receipt of rental income from land and property in the Isle of Man are required to complete this section of the return. Section 2.1 should be completed for income from Manx land and property derived from a development trade. The rate of tax is 10% for rents received from the letting of commercial or residential property but capital allowances differ, as detailed below.

- TCN 297-00 should be used for the letting of commercial property in the Isle of Man and TCN 535-00 should be used for the letting of residential property in the Isle of Man.
- 'Adjusted rents' is the net accounting rental income after adding back non-allowable expenses, e.g. depreciation and any capital expenditure included in repair and maintenance costs. Capital expenditure may qualify for capital allowances.
- Practice Note PN 51/94 Assessment of Income arising from Land and Property summarises the types of expenditure that may qualify for capital allowances. Commercial letting i.e. where the tenant carries on a trade or profession qualifies for plant & machinery allowances, with rates of 100% first year allowance and 25% writing down allowance. Residential letting qualifies for an annual allowance of 10% of cost over 10 years (straight line basis).
- Details of repair and maintenance costs claimed (after any adjustment as above) should be provided with the return, i.e. a brief description of work done, except where the amount is consistent with previously established annual costs under that heading.
- 'Excess utilised' refers to agreed excess property expenses brought forward.
- A separate computation to support the accounts and the figures in this section can be attached where required.
- Where the computation is not completed, the return form will not be accepted and will be sent back for completion.
- Where the supporting accounts are not submitted, the return will not be accepted.

2.3 OTHER INCOME

All companies with income from other sources are required to complete this section of the return.

Appendix 1 details a numeric list of the available Trade Classification Numbers (TCNs) which is grouped according to source.

- If the company has investment income from the Isle of Man then a 5XX-00 TCN should be used.
- There are four specific TCNs to be used for dividend income:
 - 555-00 Dividends received with no tax or DPC credit
 - 555-01 Dividends received with DPC credit
 - 555-02 Dividends received with tax credit
 - 556-00 Distributions from company reserves
- Any DPC or tax credit vouchers must be included with the return when income is declared using the above TCNs.
 - The value of the credit voucher should be stated in the 'Tax Rate or Credit Voucher Value' column.
- If the company has income from the UK and overseas, that has not already been taxed, then a 6XX-00 TCN should be used. This includes overseas trading profit that has not already been taxed.
- If the company has income from the UK and overseas, that has been taxed, then an 8XX-00 TCN should be used. This includes overseas trading profit that has been taxed.
 - Details of the rate of tax suffered on UK and overseas income should be completed in the 'Tax Rate or Credit Voucher Value' column.
- If the company is an Investment Holding Company, the net taxable income figures should be stated and a computation provided, as detailed in Practice Note PN 68/97 Investment Holding companies – Allowable Expenses.

3 ATTRIBUTION REGIME FOR INDIVIDUALS ("ARI")

The Attribution Regime for Individuals (ARI) came into effect for accounting periods commencing on or after 6 April 2008. Further information is available in GN 41 Attribution Regime for Individuals which is available from the Division or on the website at www.gov.im/incometax.

A company with 50% or more of its income derived from carrying on a trade, will be classed as a trading company.

Trading companies which distribute less than 55% of their distributable profit within 12 months of the end of the accounting period, and all non-trading companies are classed as **relevant** for the purposes of ARI.

Trading companies which distribute 55% or more of their distributable profit within 12 months of the end of the accounting period will be classed as **non-relevant**, and are therefore exempt from the regime. There are a number of other qualifying criteria in order to be classed as **non-relevant**, which are listed below.

- Trading companies with a distributable profit over a 12 month accounting period of less than £500;
- Charitable, religious and crown companies;
- The Isle of Man Agricultural Marketing Society;
- Industrial societies / Friendly societies;
- Approved pension funds;
- Licensed Bank or Building Society;
- Companies limited by guarantee where the members cannot at any time benefit from a distribution;
- Members clubs and associations where the members cannot at any time benefit from a distribution;
- Companies listed on a recognised Stock Exchange (see SD 240/08 for list);
- Companies that pay tax at the 10% rate on the whole of their distributable profits; and
- Collective Investment Schemes.

The company must make a claim for averaging to be applied for the accounting period. A schedule must be attached when making a claim.

4 DISTRIBUTIONS

All companies with any Manx resident ownership are required to complete this section of the return.

- When calculating the distributable profit, where income has been taxed in the UK or overseas at a rate of less than 18%, then the amount of tax paid is deducted from the distributable profit. Where the tax suffered is at a rate of 18% or more, the income can be excluded from the distributable profit.
- In order for tax liabilities to be calculated correctly, the **total** distributions and dividends have to be entered in the boxes and separate schedules provided for dividends paid.

Required Information

v For distributable profits subject to attribution, a separate schedule or copies of the Certificate of Attribution must be provided showing the following details for all members:

- | | |
|--|--|
| • Member’s name and address | • Amount of distributable profit attributable to the member* |
| • Accounting period from which the distributable profit is attributed* | • Date of attribution* |
| • Tax reference number if known* | • Number of shares and dates held during the accounting period |

** For Manx resident members only*

For accounting periods subject to attribution the following information is also required:

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|--|---|
| • Numbers of shares issued at start of accounting period | • Number of shares issued at end of accounting period |
|--|---|

Please see Guidance Note GN 41 Attribution Regime for Individuals for more information.

v For all other distributions, a separate schedule must be provided showing the following details in respect of each payment made to Manx residents:

- | | |
|---|---|
| • Recipient’s name and address | • Amount of dividend/distribution and date of payment |
| • Accounting period from which the distribution | • Amount of distributable profits charge (DPC) was made or other tax credit |

If distributions are made from profits that have been subject to DPC, the company must provide each Manx resident member with a DPC credit voucher. Please see Guidance Note GN 36 Distributable Profits Charge for more information.

5 LOANS TO MANX RESIDENT PARTICIPATORS

All companies that have made any advances, or written off, or received any repayments of loans, to Manx resident participators during the accounting period are required to complete this section of the return.

- Copies of each participator’s loan account for the accounting period will suffice as the schedule required.
- The net advance made to each participator during the accounting period is the chargeable amount. If regular advances made throughout an accounting period are repaid at the end of it, no charge will be made. Repayment may be made by a direct loan account credit of a dividend declared. In practice, repayments made after the end of the accounting period but before the due date for submission of the return (and the payment of a charge) will be taken into account if they are reported.
- Where the supporting schedule is not submitted with this return, providing all other relevant sections of the return form are complete, the return form will be accepted and the schedule will be requested separately.
- Further information regarding loans to participators is detailed in Practice Note PN 106/04 Loans to Participators.

Company Income Tax Return Form – Guidance Note

6 INCOME DETAILS

Only companies with no Manx resident ownership **AND** no income subject to Manx income tax at 10%, should complete this section of the return.

- The amount stated should be the accounting profit for the period.
- Supporting accounts are not required to be submitted with the return.
- Where the company has more than three sources of income, any extra sources can be provided on a separate schedule.

If this section is not complete the return form will not be accepted.

It will be sent back for completion and re-submission.

7 PARTICULARS OF OTHER PAYMENTS MADE BY THE COMPANY

All companies that have paid rent on land and property in the Isle of Man during the accounting period are required to complete this section of the return.

- Where the supporting schedule is not submitted with this return, providing all other relevant sections of the return form are complete, the return form will be accepted and the schedule will be requested separately.

8 ACCOUNTING PERIOD

This section of the return should be used to inform the Assessor of changes in the accounting period covered by the return form.

- This section can be left blank if there have been no accounting period changes.
- It is important to advise the Assessor of accounting period changes as these periods set the due date for filing of income tax returns and the payment date for income tax.

Late notification of a change could result in the issue of late return form penalties, and also the charging of interest on any payments made.

9 GROUPS

This section should be used to confirm whether or not the company was a member of a group for the accounting period.

This information will be used to ensure that a company is identified as a member of a group for ARI and accounts submission purposes. If one Isle of Man group member is required to submit accounts, all Isle of Man members are required to submit accounts, unless otherwise instructed by the Assessor.

10 DECLARATION

ALL companies must complete this section of the return form.

- The return form must be signed by an officer of the company.
- The computed amount of income tax payable must be stated, even if it is £0. Any payment must be remitted by the due date for the submission of the return (i.e. with the return where the return is not being submitted until the due date).

If this section is not signed the return form will not be accepted.

It will be sent back for signature and re-submission.

Company Income Tax Return Form – Guidance Note

Appendix 1 – Trade Classification Numbers

TCN Description	TCN Number	TCN Description	TCN Number
Manx Profit			
Agriculture, Forestry & Fishing	20100	Other Financial Services	26500
Food & Drink	20500	Fund Manager/Administrator	26501
Engineering	21000	Property owning and management	27000
Manufacturing	22100	Estate agents	27001
Mining & Quarrying	22200	Other Business Services	27500
Landfill	22210	Info/Communication Technology	27600
Hydrocarbons	22300	Space Industry	27601
Construction	22500	Legal Services	28100
Property Development	22503	Accountancy Services	28200
Property Development - Non Isle of Man 0%	22504	Trust/Company Fiduciary Services	28201
Trades/Contractors	22530	Education	28300
Utilities	23400	Medical & Health Service	28400
Transport	23500	Tourist Accommodation	28500
Shipping	24000	Other Professional Services	28600
Aircraft Operation	24300	Consultants - General	28603
Wholesale Distribution	24500	Catering and Entertainment	29100
Retail Distribution	25000	On line gaming	29102
Retail - Food Shops	25050	Film Production	29200
Retail - Non Food Shops	25060	Miscellaneous Services	29500
Insurance	25500	Public Administration	29600
Banking and Bill Discounting	26000	Commercial Property Letting	29700

Manx Investment

Rental Income	53500	Dividends received with tax credit	55502
Post Office Interest	54000	Distributions from company reserves	55600
Bank Interest	54500	Loan & Mortgage Interest	56500
Building Society Interest	55000	Debenture Interest	58000
Loan Interest	55300	Government Securities	58500
Dividends received (with no tax or DPC credit)	55500	Trust/Estate Income	59000
Dividends received with DPC credit	55501	Investment Products	59500

Overseas Income (untaxed)

UK Profit	60600	Trust/Estate Income	65100
UK Lloyds Underwriting	60900	UK Investment Products	65400
UK Rental Income	62100	Overseas Profit	66300
UK Post Office Interest	62400	Overseas Rental Income	66900
UK Bank Interest	62700	Overseas Bank Interest	67200
UK Building Society Interest	63000	Overseas Dividends	67500
UK Dividends	63300	Overseas Debenture Interest	68100
UK Loan & Mortgage Interest	63900	Overseas Government Securities	68400
UK Debenture Interest	64500	Overseas Trust/Estate Income	68700
UK Government Securities	64800		

Overseas Income (taxed)

UK Profit Taxed	80600	UK Trust/Estate Income Taxed	85100
UK Lloyds Underwriting Taxed	80900	UK Investment Products Taxed	85400
UK Rental Income Taxed	82100	Overseas Profit Taxed	86300
UK Post Office Interest Taxed	82400	Overseas Rental Income Taxed	86900
UK Bank Interest Taxed	82700	Overseas Bank Interest Taxed	87200
UK Building Society Interest Taxed	83000	Overseas Dividends Taxed	87500
UK Dividends Taxed	83300	Overseas Debenture Interest Taxed	88100
UK Loan & Mortgage Interest Taxed	83900	Overseas Government Securities Taxed	88400
UK Debenture Interest Taxed	84500	Overseas Trust/Estate Income Taxed	88700
UK Government Securities Taxed	84800		

Any updates to this list will be published on the Income Tax Division's website at www.gov.im/incometax

GN 39 - Accounting Periods commencing after 6/4/2008 ARI