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PRACTICE NOTE

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TAX RESIDENCE IN THE ISLE OF MAN

Individuals

There is no general definition of “residence” or “ordinary residence” for tax purposes in the Isle of Man.

As is common in many countries, the Isle of Man treats those individuals having a ‘view or intent of establishing residence’ as tax resident from the date of their arrival here. The corollary is that we treat individuals permanently ceasing residence as tax non-resident from the date of their departure. We ask new residents to answer a number of questions by completing a “Registration for Manx Income Tax Form R25” in order to establish their residence status. In most circumstances it is not necessary for us to make any further enquiries.

A key test of establishing residence is that an individual should have accommodation in the Isle of Man available for their use. Simply relying on an ‘available accommodation’ test, however, could lead to anomalies when coupled with our system of taxing Manx residents on their worldwide income; for example, where individuals have holiday homes in the Isle of Man. Our short term residence Extra Statutory Concession (Government Circular 15/03) in part sought to address such anomalies. New legislation in respect of the taxation of married couples etc. means that the concession is no longer up to date and we will issue further guidance in this area in the near future.

Where questions arise in respect of an individual’s residence status, we will make appropriate enquiries and may look to guidance from relevant practice and case law in the United Kingdom.

Individuals ordinarily resident in the Isle of Man who are temporarily absent from the Island remain resident for tax purposes (Section 9, Income Tax Act 1970). We interpret ordinary residence as meaning residence which is habitual and part of the regular order of an individual’s life.

We have some specific rules that determine tax residence by physical presence in the Isle of Man. These rules tend to come into play when people claim not to be resident for tax purposes, despite regularly being here. For the avoidance of doubt, individuals residing in the Isle of Man for a period in the whole equal to more than six months in any tax year are tax resident and liable to Manx income tax (Section 10, Income Tax Act 1970). Our practice is also to consider as tax resident, individuals whose visits to the Island over four or more consecutive years on average amount to more than 90 days in each tax year. It should be noted that other countries often have similar rules, and it is possible for an individual to be tax resident in more than one country as a consequence.

Companies

A company formed in the Isle of Man is resident here for tax purposes.

A company incorporated outside the Isle of Man is also normally tax resident in the Isle of Man where its management and control is in the Island.

Companies incorporated outside the Isle of Man but having a place of business in the Isle of Man are taxed to the extent of the business conducted in the Island, although the company itself remains tax non-resident.

Legislation currently in force that deems certain companies formed in the Isle of Man to be tax-exempt, 'international' or non-resident for tax purposes, will be repealed with effect from 6 April 2007.

If the tax residence status of a company is in doubt, appropriate enquiries should be made with the Assessor.

M Couch

Assessor of Income Tax

This Practice Note is intended only as a general guide and must be read in conjunction with the appropriate legislation. It does not have any binding force and does not affect a person's right of appeal on points concerning their own liability to income tax.

Comments and suggestions for improvements of issued Practice Notes and suggestions for future Practice Notes are always welcome.