



INCOME TAX ACT 1970

INCOME TAX (DEDUCTIONS) (PRESCRIBED CASES) (AMENDMENT) ORDER 2012

Approved by Tynwald
Coming into operation

22 February 2012
24 February 2012

The Treasury makes this Order under section 31A of the Income Tax Act 1970¹.

1 Title

This Order is the Income Tax (Deductions) (Prescribed Cases) (Amendment) Order 2012.

2 Commencement

If approved by Tynwald², this Order shall come into operation on 24 February 2012 and shall have effect in respect of the income tax year commencing 6 April 2012 and subsequent years.

3 Amendment of Government Circular 374/89

(1) The Income Tax (Deductions) (Prescribed Cases) Order 1989³ is amended as follows.

(2) For article 2(1) (deductions for payment of interest) substitute —

“(1) Subject to the provisions of this article, interest paid on any loan shall be allowed as follows —

(a) in the case of interest paid by an individual, an amount equal to the interest paid multiplied by the lower rate shall be allowed as a deduction from liability to income tax in the year

¹ XXI p. 260

² As required by section 31A(2)(b) of the Income Tax Act 1970

³ GC 374/89 as amended

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of assessment in which it is paid (but no such deduction shall of itself entitle the individual to a refund or repayment of tax); or

(b) in any other case, the interest paid shall be allowed as a deduction from total income in the year of assessment in which it is paid.”.

(3) In article 2(10), after the definition of “loan” insert the following definition —

“ “lower rate” has the same meaning as in section 1 of the Income Tax Act 1970;”.

(4) In article 2(13), after “£7,500” add “multiplied by the lower rate”.

(5) Article 3 (deductions for maintenance payments) is revoked.

(6) For article 4(1) (covenanted payments to charities) substitute —

“(1) Subject to the provisions of this article, an amount equal to any covenanted payment to a charity by an individual shall be multiplied by the lower rate and the resulting amount shall be allowed as a deduction from liability to income tax in the year of assessment in which it is paid (but no such deduction shall of itself entitle the individual to a refund or repayment of tax).”.

(7) In article 4(3), after the definition of “covenanted payment to charity” insert the following definition —

“ “lower rate” has the same meaning as in section 1 of the Income Tax Act 1970.”.

(8) For article 5(1) (covenanted payments for children and grandchildren) substitute —

“(1) Subject to the provisions of this article, an amount equal to any covenanted educational payment made by an individual (“the donor”) for —

(a) the benefit of a person of or over the age of 16 years but below the age of 18 years (“the donee”) provided that the fees in respect of the course of higher education are met by the Department of Education and Children; or

(b) the benefit of a person of or over the age of 18 years but below the age of 25 years (“the donee”),

shall be multiplied by the lower rate and the resulting amount shall be allowed as a deduction from liability to income tax in the year of

assessment in which it is paid (but no such deduction shall of itself entitle the individual to a refund or repayment of tax)."

- (9) In article 5(2), after "£5,500" add "multiplied by the lower rate".
- (10) In article 5(5), after the definition of "covenanted educational payment" insert the following definition —
- " "lower rate" has the same meaning as in section 1 of the Income Tax Act 1970."

4 Revocations

The following orders are revoked —

- (a) the Income Tax (Deductions) (Prescribed Cases) (Amendment) Order 1997⁴; and
- (b) the Income Tax (Deductions) (Prescribed Cases) (Amendment) Order 2000⁵.

MADE

6 February 2012



Minister for the Treasury

EXPLANATORY NOTE

(This note is not part of the Order)

This Order amends the Income Tax (Deductions) (Prescribed Cases) Order 1989 by removing entitlement to a deduction for making maintenance payments when calculating taxable income. It also changes the basis of deductions for payments of interest, covenanted payments to charities and covenanted educational payments to children and grandchildren. The deductions are now to be applied to reduce liability to income tax rather than to reduce total income and are only to be allowed at a rate equal to the lower rate of income tax (currently 10%).

⁴ SD 90/97

⁵ SD 49/00