



INCOME TAX ACT 1995

INCOME TAX (CORPORATE TAXPAYERS) (TEMPORARY TAXATION) ORDER 2006

Approved by Tynwald 18th October 2006

Coming into operation in accordance with article 1 (2)

In exercise of the powers conferred on the Treasury by section 15 of the Income Tax Act 1995¹, and of all other enabling powers, the following Order is hereby made:—

1. Citation and commencement

(1) This Order may be cited as the Income Tax (Corporate Taxpayers) (Temporary Taxation) Order 2006.

(2) This Order shall come into operation on the day the Companies Act 2006² comes into operation.

(3) This Order shall apply in respect of the remainder of the income tax year commencing 6 April 2006 and in every subsequent year.

(4) This Order shall be construed as one with the Income Tax Act 1970³.

2. Interpretation

¹ 1995 c.12

² 2006 c.

³ XXI p.260

Price Band A Price 85p

In this Order —

“the 1970 Act” means the Income Tax Act 1970;

“the 2006 Act” means the Companies Act 2006;

“corporate taxpayer” has the meaning given by section 120 of the 1970 Act;

“distributable profits charge” has the meaning given by section 13 of the 1970 Act;

“distribution” means —

(a) the direct or indirect transfer of any assets of a corporate taxpayer, other than the corporate taxpayer’s own shares, to or for the benefit of a member of the corporate taxpayer; or

(b) the incurring of a debt by a corporate taxpayer to or for the benefit of a member of the corporate taxpayer,

in relation to shares held by a shareholder, or the entitlements to distributions of a member who is not a shareholder, and whether by means of —

(i) the payment of a dividend;

(ii) the purchase of an asset;

(iii) the purchase, redemption or other acquisition of shares;

(iv) the transfer or assignment of indebtedness,

or otherwise;

“group”, in relation to a corporate taxpayer, shall be construed in accordance with Schedule 2 to the Income Tax Act 1980⁴;

⁴ 1980 c.16

“income distribution” means a distribution made from —

(a) the corporate taxpayer’s income from its current accounting period; or

(b) the undistributed income of the corporate taxpayer from an earlier accounting period;

“member” shall be construed in accordance with section 12 (7) of the 1970 Act; and

“merger” and “surviving company” each has the meaning given by section 152 of the 2006 Act.

3. Deemed residence of companies

All companies incorporated, continued or re-registered under the 2006 Act are deemed to be resident in the Island for the purposes of section 2N of the 1970 Act.

4. Production and auditing of accounts of corporate taxpayer

(1) The Assessor may at any time cause a notice to be served on any corporate taxpayer requiring such person to deliver to the Assessor within such reasonable period as may be specified in the notice such accounts in respect of such accounting period as the notice may require.

(2) Subsections (2) to (4) of section 62B of the 1970 Act shall apply in respect of a notice served in accordance with this article in the same manner as they apply in respect of a notice served under that section.

5. Beginning and ending of accounting periods

(1) This article applies where a corporate taxpayer is the surviving company in respect of a merger which has taken place under Part X of the 2006 Act.

(2) For the purposes of section 119E of the 1970 Act, an accounting period of a corporate taxpayer ends and a new accounting period begins upon the issue of a

certificate of merger under section 154 of the 2006 Act in respect of a corporate taxpayer which is the surviving company for the purposes of that merger.

6. Income distributions

(1) Income arising or accruing to any person residing in the Island and derived from any income distribution paid by a corporate taxpayer resident in the Island shall be income in respect of which income tax is imposed by the 1970 Act for the purposes of section 2 of the 1970 Act.

(2) Where an income distribution takes a non-monetary form, an amount equal to whatever is the cash equivalent of the income distribution is income in respect of which income tax is imposed by the 1970 Act for the purposes of section 2 of the 1970 Act.

(3) The cash equivalent of an income distribution is deemed to be the market value of the asset transferred at the time of transfer (where an asset is transferred by a corporate taxpayer) or the amount of debt incurred (where the corporate taxpayer incurs a debt).

(4) For the avoidance of doubt, a payment made by a corporate taxpayer to or for the benefit of another corporate taxpayer in the same group shall not be treated as an income distribution for the purposes of this article provided that the whole of such payment is used to discharge (in whole or in part) the liability of that other corporate taxpayer to pay the distributable profits charge payable under section 13 of the 1970 Act.

7. Saving

The provisions of this Order are additional to and not in derogation of the provisions of the 1970 Act.

Made this 17th day of October 2006



Minister for the Treasury

EXPLANATORY NOTE

(This note is not part of the Order.)

The effect of this Order is to make temporary taxation provisions for corporate taxpayers covering such matters as deemed residence, production and audit of accounts, accounting periods and income distributions.