



INCOME TAX ACT 1970

INCOME TAX (DISTRIBUTABLE PROFITS CHARGE) (CALCULATION OF CHARGE) ORDER 2006

Approved by Tynwald 12th July 2006

Coming into operation in accordance with article 1

In exercise of the powers conferred on the Treasury by section 13A(8)(d) of the Income Tax Act 1970 (a), and of all other enabling powers, the following Regulations are hereby made:-

Citation and commencement

- (1) This Order may be cited as the Income Tax (Distributable Profits Charge) (Calculation of Charge) Order 2006 and shall come into operation on the day it is approved by Tynwald.
- (2) This Order shall have effect in respect of the income tax year commencing 6th April 2006 and subsequent years.

Interpretation

- In this Order-

“the Act” means the Income Tax Act 1970;

“distributable profits charge” shall be construed in accordance with section 13(1) of the Act;

“distributable profits” is determined in accordance with section 13A(8) of the Act;

“corporate taxpayer” shall be construed in accordance with section 120 of the Act.

Income liable to Isle of Man Income Tax at 10%

- Where a corporate taxpayer is in receipt of income liable to Isle of Man income tax at a rate of 10 per cent on every pound of such income, that income shall, in accordance with section 13A(8)(d), be deducted from the amount of the corporate taxpayer's profits when

(a) Vol XXI p.260, section 13A substituted by section 5 Income Tax (Amendment) Act 2006

determining the amount of the distributable profits for the purposes of calculating the distributable profits charge.

Income Arising Outside the Island

4. Where a corporate taxpayer is in receipt of income arising in a territory outside the Island and that income is liable to foreign tax, by deduction or otherwise, at a rate equal to or greater than the prescribed higher rate of Manx income tax for individuals, the amount of the income subject to the foreign tax shall, in accordance with 13A(8)(d), be deducted from the amount of the corporate taxpayer's profits when determining the amount of the distributable profits for the purposes of calculating the distributable profits charge.
5. Where a corporate taxpayer has paid, by deduction or otherwise, or is liable to pay foreign tax at a rate that is less than the prescribed higher rate of Manx income tax for individuals, the amount of the foreign tax paid shall, in accordance with 13A(8)(d), be deducted from the amount of the corporate taxpayer's profits when determining the amount of the distributable profits for the purposes of calculating the distributable profits charge.

Made this 12th day of July 2006


Minister for the Treasury

EXPLANATORY NOTE

(This note is not part of the Order)

Following the enactment of the Income Tax (Amendment) Act 2006 companies that are classed as non distributing companies are required to account for the distributable profits charge in respect of members who are resident in the Isle of Man.

This Order will ensure that the proportion of the profit that is subject to the 10% rate shall not be subject to the charge, leaving only the 0% element. The Distributable Profits Charge does not include provision for Double Taxation Relief, which would be allowed if the profit had been subject to income tax at a rate greater than 0%; this Order shall provide a form of relief from double taxation where the profit is taxed at 0% but is subject to the distributable profits charge.