

EXPLANATORY NOTE AND ADDITIONAL INFORMATION

INCOME TAX (CAPITAL RELIEF) ORDER 1991

EXPLANATORY NOTE

(This Note is not part of the Order)

This Order increases the initial relief on capital expenditure on certain buildings and structures (Industrial and Agricultural) to 100%. In addition government and local authority grants will not affect relief for any capital expenditure. The Income Tax (Capital Relief) (Tourist Business) Order 1990 is amended as a consequence of this Order. Tourist premises will be subject to the same rules in relation to initial relief and grants.

INCOME TAX (CAPITAL RELIEF) (TOURIST BUSINESS
INCENTIVE ALLOWANCE ORDER) 1991

Transfer of interest in tourist premises or business

5. In any case where an interest in any tourist premises or a tourist business is disposed of, the same balancing charges shall be imposed and the same balancing allowances shall be applied under this Order as are imposed or applied in similar circumstances under the Income Tax (Capital Relief)(Tourist Business) Order 1990.

Exclusions

6. (1) Except for relief under the Income Tax (Capital Relief)(Tourist Business) Order 1990, relief shall not be allowed under this Order in addition to any other allowance in respect of the same capital expenditure.

(2) In the computation of relief under this Order no allowance shall be made in respect of any capital expenditure which gives a benefit or advantage to the claimant by reason of his occupation of part of the tourist premises.

Made this 25th day of September 1991

Authorised by the *J. Norman Reddy* Minister for the Treasury

Approved by Tynwald 15th Dec 1991

EXPLANATORY NOTE
(This Note is not part of the Order)

This Order introduces additional tax relief in respect of capital expenditure on tourist premises. The relief is intended to operate as an additional incentive to the improvement of tourist premises. The maximum relief available under the Order will, when taken with Government grants, be 50% of gross expenditure.

ADDITIONAL INFORMATION

1. Method of calculation is as follows:

A Expenditure of £100,000 and no grant

Article 3(1) - qualifying expenditure - 100,000
3(2) - less grant (NIL) and divide by 2 - 50,000
3(3) - allow 50,000 each year for 3 years
ie 50,000 x 3 = 150,000 at 20%
= £30,000 reduction in tax bill

Total Government support: Incentive Allowance 30,000
Initial Allowance(100,000x20%) 20,000
Total £50,000

B Expenditure of £100,000 and a grant of £30,000

Article 3(1) - qualifying expenditure - 100,000
3(2) - less grant 30,000 and divide by 2 - 35,000
3(3) - allow 35,000 each year for 3 years
ie 35,000 x 3 = 105,000 at 20%
= £21,000 reduction in tax bill

BUT - Check Article 4(2) restriction
ie Maximum relief may not exceed expenditure divided
by 2 less grant = $\frac{100,000}{2} - 30,000$
= £20,000

As this is less than relief under Article 3(3) the relief must be restricted to £20,000. This is achieved as follows -

Year 1 35000 x 20% = 7,000
Year 2 35000 x 20% = 7,000
Year 3 30000 x 20% = 6,000

£20,000 reduction in tax bill

Total Support: Incentive Allowance 20,000
Government Grant 30,000
Initial Allowance(100,000x20%) 20,000
Total £70,000

2. In the normal on-going tourist business, say expenditure incurred in accounting year ended 5/4/92

- a) Initial Allowance given in 1982/93 assessment
- b) Incentive Allowance given in 1993/94, 1994/95 and 1995/96 assessments.

3. The interpretation of a "tourist business" includes one which is only a part business eg Brewery providing registered tourist accommodation in their managed houses.
4. See attached Schedule of descriptions of land included in expression "tourist premises."
5. Qualifying expenditure will also include the provision of restaurant facilities where meals are offered to guests as a matter of course; equally, any entertainment facilities such as a swimming pool.
6. The Incentive Allowance provided under the Order is additional to the 100% Initial Allowance under the tourist Premises Allowance provision.