

# ISLE OF MAN. WHERE YOU CAN ENJOY A FAVOURABLE TAX REGIME

## A clear and simple regime

### TAXATION

The Isle of Man operates a clear and simple taxation regime with a standard rate of tax on individuals of 10%, a higher rate of 20% and generous personal allowances with a £120,000 tax cap on personal income for the current tax year 2012-2013.

There are a number of significant differences between the United Kingdom and the Isle of Man taxation systems. Here are a few of them:

- All taxpayers (with few exceptions) complete an income tax return form every year declaring their worldwide income.
- Tax allowances for jointly assessed married couples can be transferred during the tax year, and both spouses can be pursued for the joint tax liability.
- Tax relief is given on mortgage and loan interest, subject to certain conditions.
- Banks and building societies do not deduct tax at source, therefore all interest received must be declared on the income tax return form.
- There is no capital gains tax, wealth tax, stamp duty, death duty or inheritance tax in the Isle of Man.

### Overview of Company Taxation

The standard rate of corporate income tax in the Isle of Man is 0%.

A 10% rate of tax applies to income received by a company from any of the following sources:

- banking business
- land and property in the Isle of Man (including property development, residential and commercial rental or property letting and mining & quarrying).

Resident and non-resident companies are subject to Manx income tax on the same basis and at the same rates.

#### CORPORATE TAX RATES

Standard Rate	0%
Land & Property in IOM	10%
Banking business	10%

#### INCOME TAX RATES

Standard Rate	10%
Higher Rate	20%
Non-Resident Rate	20%

#### INCOME TAX PERSONAL ALLOWANCES 2012/2013

Single Person	£9,300
Married Couple (combined)	£18,600
Non-Resident	£0.00

#### STANDARD RATE TAX THRESHOLDS

Single Person	£10,500
Married Couple (combined)	£21,000
Balance taxable at	20%

### Mortgage and Loan Interest

The maximum amount of mortgage and loan interest to be granted in an individual's assessment is to be £7,500 for the 2012/2013 tax year. This limit will be doubled for a jointly assessed married couple, regardless of which spouse is responsible for paying the interest.

### National Insurance

Details about National Insurance can be found here:

<http://www.gov.im/treasury/incometax/nic.xml>

Up to the 5th April 2014 an employer will not be required to pay the secondary Class 1 National Insurance Contributions due for any newly recruited employees who qualify.

<http://www.gov.im/treasury/incometax/nationalinsuranceholidayscheme.xml>

### Contact

Tel: +44 (0)1624 685400

Email: [incometax@itd.treasury.gov.im](mailto:incometax@itd.treasury.gov.im)

Web: [www.gov.im/treasury/incometax](http://www.gov.im/treasury/incometax)

### CUSTOMS

#### VAT relationship with UK & EU

The Isle of Man uniquely provides a full European Union Value Added Tax regime (VAT), whilst also providing for complete exemption of trading profits from income or corporate taxation.

By virtue of the Customs and Excise Agreement with the UK the Isle of Man has the benefit of being regarded as part of the European Single Market for Customs and Excise purposes, such that transactions involving the Isle of Man are treated by EU Member States as if they involved the United Kingdom (UK).

The Isle of Man operates a value added tax (VAT) regime which is essentially identical to, and interlinked with, that of the UK and VAT in the Isle of Man is levied at the same UK standard rate, currently 20%.

In addition, through the Agreement with the UK the Island has secured specific reduced 5% VAT rates (not available in the UK) for repairs and maintenance of domestic accommodation for its citizens and on hotel/bed and breakfast accommodation for visitors to the Island. These complement the existing IOM/UK lower rates for social benefit including zero rates for food, certain charitable activities, children's clothing and written media amongst others.

Businesses trading in the Isle of Man, or in both jurisdictions, may apply to register for VAT in the Isle of Man providing that they can show that day to day management and control of the business is effected from the Island. For example by showing that all record-keeping, bank accounts, premises, directors, invoicing and administration take place in the Isle of Man.

Once VAT-registered, any Isle of Man business is subject to the normal UK/EU VAT rules.



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## Isle of Man businesses trading outside UK/EU

For Isle of Man businesses that are trading outside the UK and Isle of Man, their trading would normally be outside the scope of UK and Isle of Man VAT, and so they would not be required to register in either territory unless they wished to do so on a voluntary basis - usually in order to recover any VAT they may incur (for example on fees from lawyers, company administrators, etc).

## Importing and Exporting

The Isle of Man has its own electronic Entry Processing Unit (EPU) housed within the UK's import/export computer system called CHIEF (Customs Handling of Import and Export Freight).

Accessing CHIEF allows Isle of Man based importers, exporters and/or their agents to electronically submit import/export declarations and to obtain electronic clearance for goods arriving in or departing from the combined Customs territories of the UK/Isle of Man, without the need for the goods to physically travel to the Isle of Man.

This together with the Island's responsive and customer focused Customs and Excise staff, offers businesses the facility to import or export goods into/from the combined territories of the UK and Isle of Man, from an Island base, for onward sale to the "home" markets or to other Member State jurisdictions and beyond.

International Trade businesses seeking to benefit from using the Isle of Man EPU facility must apply to Isle of Man Customs and Excise and obtain the following:

- VAT registration number – as the business will be importing and trading in goods to, from and within the combined territories of the Isle of Man and UK there is a legal requirement for all such businesses to be VAT registered.

- Economic Operator Registration and Identification (EORI) number - this is a unique identifier for use across the whole of the European Union for Customs, Excise and VAT purposes.
- Duty Deferment Account – a security backed account with Isle of Man Customs and Excise which allows businesses to defer payment of their import duties/taxes on a monthly basis.
- Customs Freight Simplified Procedures Authorisation (CFSP) – either through an existing agent based on the Isle of Man or applied for by the business direct. This ensures all import and export requirements fall under the care and control of Isle of Man Customs and Excise.

## Premium Service Standards

In addition to the highest levels of customer service provided through its traditional business advice and assurance centres, Isle of Man Customs and Excise will offer the services of Client Relationship Managers to assist new large businesses with their customs, excise and VAT obligations. Access to Isle of Man Customs and Excise staff, located in a single building, is available through direct phone line, email, and through a public counter service that is open during normal office hours. An out of hours contact service is maintained through a series of 'on call' officers available 24 hours per day.

Customs and Excise are targeted to provide:

- a VAT registration within 7 working days although this can be much less where all the appropriate supporting documentation is provided and/or where assistance has been provided by the Customer Relationship Managers;
- an EORI number and an Isle of Man Duty Deferment Account as part of the above VAT registration process;
- assistance with CFSP and other Customs related authorisations and



will deploy appropriately qualified staff to help with the authorisation process;

- immediate answers to VAT, customs or excise enquiries or if that is not possible, within seven working days of receipt of all relevant information.

## Links

Isle of Man Customs and Excise [www.gov.im/treasury/customs](http://www.gov.im/treasury/customs) providing further information on the range of services available from Isle of Man Customs and Excise and including the following contact details:

## Contact

### General Enquiries

Tel: +44 (0)1624 648100

Email: [customs@gov.im](mailto:customs@gov.im)

### VAT Advice

Tel: +44 (0)1624 648130

### VAT Registration

Tel: +44 (0)1624 648120

### Excise and Customs Advice

Tel: +44 (0)1624 648140

### Customer Relationship Unit

Tel: +44 (0)1624 648190

Email: [cru.customs@gov.im](mailto:cru.customs@gov.im)

**Please note. Isle of Man Customs & Excise can only give advice to Isle of Man registered traders.**

If VAT-registered in the United Kingdom, please contact their **Business Advice Centre** on  
Tel: +44 (0)845 010 9000