



## The Tax Environment in the Isle of Man

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# The Tax Environment in the Isle of Man

The Isle of Man operates its own tax system entirely separate from the United Kingdom. Its parliament Tynwald is responsible for enacting all of its tax law.

## Corporate Taxation

Corporate taxation in the Isle of Man is simple to understand and provides significant benefits to companies doing business in the Island.

- Low rates of income tax – most companies pay income tax at a standard rate of 0% on all income; companies that receive income from banking business or from land and property situated in the Island pay tax at a 10% rate on profits from those sources and the standard 0% rate on their remaining income.
- Annual tax returns – are filed no later than 6 October following the end of the tax year.
- Payment of income tax – is due on or before 1 January in the tax year to which the payment relates, or within 30 days of the date of an assessment, should the assessment be issued after 1 January.
- Exempt companies and other international entities – the Isle of Man is phasing out its special tax regimes for companies that subject to certain conditions and/or the payment of an annual fee, gave them exemption from mainstream income tax.
- Computation of profits – all companies liable to income tax can deduct expenses that have been wholly and exclusively incurred in generating their income. Capital allowances are also available; in most cases on a 100% first year basis and in other cases on a 25% writing down basis in each year. Losses can be offset against subsequent trading profits or, if the company is a member of a group, can be offset against profits arising elsewhere within the group.

## Personal Taxation

There is no capital taxation at all in the Isle of Man. Therefore resident individuals and companies pay no wealth taxes, inheritance, gift or capital gains taxes.

The Isle of Man operates a low personal tax regime making it a very attractive fiscal environment in which to live. Currently anyone entitled to live in the UK or EU can come to live in the Isle of Man and there are no fiscal entry requirements before tax residence can be achieved.

Personal allowances in the Isle of Man are among the highest in Europe, whilst tax rates are among the lowest. For 2006/2007 an individual who is resident in the Island will not pay any income tax on the first £8,670 of taxable income. Tax will be due at a rate of 10% on the first £10,500 of taxable income above the allowance; with the balance of income being charged at the higher rate of 18%. If a married couple are jointly taxed their allowances and lower rate threshold are combined.

In addition to these generous personal allowances and low rates of taxation, resident individuals are able to claim a deduction from taxable income when they make qualifying mortgage or loan interest payments, set up educational or charitable deeds of covenant or make qualifying payments providing for life insurance, personal pension arrangements or private medical insurance. Relief from double taxation is also available where foreign tax has been paid, subject to a valid claim being made.

**The Tax Cap** – high personal allowances, low rates of tax and generous deductions may sound appealing on their own, but the Isle of Man has recently introduced a cap on individual tax liabilities.

A resident individual can be certain that his or her final tax liability for a year will not exceed £100,000. Tax will be computed in the normal way, allowances will be granted, deductions and relief's allowed and rates applied, but if the resulting liability exceeds £100,000 then the cap will be applied. The amount of the cap is doubled for a married couple should they choose to be jointly assessed.

## Value Added Tax

The Isle of Man operates a system of Value Added Taxes (VAT) similar in all material aspects to the United Kingdom. The standard rate is 17.5% with a lower rate of 5% and a zero rate. The current turnover registration requirement is £60,000 p.a.

VAT is chargeable on all taxable supplies made by a trader in the Isle of Man and United Kingdom. However taxable supplies made to persons outside the European Union can be zero rated in certain circumstances. Supplies made to persons in their business capacity within the EU can also be zero rated.

## Further reading:

Isle of Man Government Income Tax Division:

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

Isle of Man Customs and Excise:

<http://www.gov.im/treasury/customs/>

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