Isle of Man

Ellan Vannin

AT 11 of 2003

INCOME TAX ACT 2003

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INCOME TAX ACT 2003

Received Royal Assent: *22 October 2003*
Passed: *22 October 2003*
Commenced: *See endnotes*

AN ACT to introduce Personal Allowance Credit; to provide for confidential information and the supply and use of that information; to provide for the implementation of international information exchange agreements; to make certain amendments to the Income Tax Acts; and for connected purposes.

PART 1 – PERSONAL ALLOWANCE CREDIT

Purpose

1 Introduction

(1) The purpose of this Part is to provide for annual payments (to be known as "**Personal Allowance Credit**") to be made through the income tax system to certain residents with low incomes (in this Part those payments are referred to as "**credit**").

(2) Credit is under the care and management of the Treasury.

(3) Credit will be granted only if a claim is made for it in the correct manner.

Qualification for credit

2 Qualification for credit: individuals

(1) Subject to subsection (2), a claim for credit may be made by an individual who —

(a) was resident in the Island for the whole year of assessment in respect of which the payment is made; and

(b) was —

(i) aged at least 65 at the commencement of that year of assessment;

(ii) entitled to Blind Person's Allowance in accordance with section 35A of the Income Tax Act 1970 (allowance for blind persons) during that year of assessment; or

(iii) entitled to Disabled Person's Allowance in accordance with section 35B of the Income Tax Act 1970 (allowance for disabled persons) during that year of assessment.[1]

(2) A claim for credit may not be made in respect of a year of assessment if the individual —

(a) was in full time education at any time during the year of assessment;

(b) was serving an immediate sentence of custody for the whole of the year of assessment;

(c) was the spouse of an individual whose income tax liability for the year of assessment was capped; or

(d) died during that year of assessment.[2]

(3) Subsection (1) does not apply in respect of an individual who is qualified under section 3 to make a claim for credit.

(4) In subsection (2)(c), "capped" means subject to an election approved by the Assessor under section 2ZA of the Income Tax Act 1970.[3]

(5) [Repealed][4]

(6) Subsection (2)(c) does not operate where a joint treatment election made under section 65C of the 1970 Act is in force in respect of the individual and the spouse.[5]

3 Qualification for credit: joint assessment of married couples and civil partners[6]

If the income of a married couple or civil partners is jointly assessed under section 65A of the *Income Tax Act 1970* (in this Act referred to as the "**1970 Act**") (joint assessment of spouses or civil partners), a claim for credit may be made if either of the parties to the marriage or civil partnership —

(a) was resident in the Island for the whole of the year of assessment in respect of which the claim is made; and

(b) was —

(i) aged at least 65 at the commencement of that year of assessment;

(ii) entitled to Blind Person's Allowance in accordance with section 35A of the Income Tax Act 1970 (allowance for blind persons) during that year of assessment; or

(iii) entitled to Disabled Person's Allowance in accordance with section 35B of the Income Tax Act 1970 (allowance for disabled persons) during that year of assessment;

(c) was not in full time education at any time during the year of assessment;

(d) was not serving an immediate sentence of custody for the whole of the year of assessment; and

(e) did not die during the year of assessment.[7] [8]

4 Qualification for credit: supplementary

(1) [Repealed][9]

(2) Regulations made under section 14 may provide for the transitional treatment of —

(a) persons who marry or form a civil partnership and (in either case) commence to live together;[10]

(b) married couples or civil partners who separate,[11]

and section 65E(1) and (2) (meaning of "living together" and tax treatment of non-resident spouses or civil partners) of the 1970 Act applies for the purposes of this subsection.[12]

Calculation of credit

5 Credit: individuals

(1) If the gross income of any individual in any year of assessment is £9,500 ("the low income point") or less, the credit in respect of that individual is £400.[13]

(2) [Repealed][14]

6 Credit: married couples and civil partners[15]

(1) This section applies in respect of married couples or civil partners who qualify under section 3.[16]

(2) If the joint gross income of a married couple or two persons who have formed a civil partnership in any year of assessment is £19,000 ("the low income point") or less, the credit in respect of that couple is £800.[17]

(3) However, in the circumstances specified in subsection (4), the credit in respect of a married couple or two persons who have formed a civil partnership is half the sum specified in subsection (2).[18] [19]

(4) The circumstances are that one party to the marriage or civil partnership does not satisfy the conditions in paragraphs (a) to (e) of section 3

(qualification for credit: joint assessment of married couples and civil partners).[20]

(5) No credit is payable to the married couple or civil partners in respect of the year of assessment if neither spouse or partner satisfies the conditions in paragraphs (a) to (e) of section 3.[21] [22]

7 Calculation of credit where obligation to submit return suspended

(1) This section applies in respect of cases in which the Assessor has confirmed in writing that he does not require a return of income under section 62 of the 1970 Act for the relevant year of assessment on the ground that the Assessor is satisfied that the income of the individual or married couple or civil partners is likely to be less than the low income point under section 5 or 6 as the case requires.[23]

(2) In a case to which this section applies, the credit is —

(a) £400 in respect of an individual;[24]

(b) £800 in respect of a married couple or civil partners subject to section 6(3).[25]

(2A) In a case to which this section applies, no credit is payable in respect of the year of assessment in which an individual dies.[26]

(3) Section 1(3) does not apply in respect of a case to which this section applies.

8 Revision of credit

(1) If for any reason, the Assessor is satisfied that the amount of credit specified in a credit notice is wrong or that the person concerned is not qualified to receive credit, the Assessor may issue a revised credit notice or give written notice that the person concerned is not qualified to receive a credit.

(2) If the Assessor gives notice under subsection (1), then either —

(a) the Assessor may recover any overpayment in the same manner as an assessment for income tax and section 98A of the 1970 Act shall apply accordingly; or

(b) the Treasury shall, as soon as practicable after the issue of the revised credit notice, pay any additional amount falling due under the revised notice,

as the case requires.

Claim and payment

9 Form of claim

(1) The claim for credit shall be in a form approved under section 95A of the 1970 Act and shall be delivered to the Assessor before the end of the year following the year of assessment to which the credit applies or such longer period as the Assessor may in writing permit.

(2) A claim for credit shall include such information as is required by the form.

(3) If at any time any question arises under this Part in respect of any matter relating to qualification for, or payment of, credit —

(a) the Assessor may require the claimant to furnish such further information and documents as the Assessor may require to determine that question; and

(b) the Assessor may consult the Social Security Division of the Treasury.[27]

(4) A disclosure by the Social Security Division of the Treasury for the purposes of subsection (3) shall not be treated as a breach of any restriction upon the disclosure of information imposed by statute or otherwise.[28]

10 Credit notices

(1) Where the Assessor is satisfied that a person is entitled to the payment of credit, the Assessor shall cause a notice confirming that fact and showing the amount of credit to be delivered to the person concerned.

(2) Where the Assessor is satisfied that a person is not entitled to the payment of credit, the Assessor shall cause a notice confirming that fact to be delivered to the person concerned if —

(a) a claim was made for credit; or

(b) if no claim was made, at the request of the person concerned.

(3) A notice by the Assessor under subsections (1) or (2) shall be delivered within 12 months of a claim being made.

(4) The provisions of the Income Tax Acts in respect of contested assessments shall apply in respect of credit notices under this section.

(5) In any case to which section 7 applies, the Assessor shall cause a credit notice to be sent to the claimant before the end of the year following the year of assessment to which the credit applies.

11 Payment of credit

(1) The Treasury shall make arrangements for the payment of credit as soon as practicable after the credit notice is sent in accordance with section 10.

(2) Subject to the following provisions of this section, where credit is paid by the Treasury after the end of 12 months following that year of assessment to which the credit applies, the repayment shall be increased under this section by an amount (a "supplement") equal to interest on the amount of the credit at the prescribed rate for the period (if any) between the relevant time and the end of the tax month in which the order for the supplement is issued.

(3) For the purposes of subsection (2), the relevant time is the end of the 12 months mentioned in that subsection.

(4) A supplement paid to any person under this section shall not be income of that person for any tax purposes.

(5) In this section —

"prescribed rate" means the rate of interest that applies from time to time for the purposes of section 107A(1) of the 1970 Act (repayment supplement);

"tax month" means the period beginning with the 6th day of any calendar month and ending with the 5th day of the following calendar month.

General

12 Nature of credit

Credit or the right to credit is not to be taken into account in calculating the income or assets of any person for the purposes of income tax or any other purpose under any statutory provision whether passed before or after this section.

13 Set-off

Where the Treasury is liable to pay or repay any amount to any person under this Part, that amount may be set off against any amount due to the Treasury in respect of income tax (including interest on overdue tax under section 111A of the 1970 Act) or Class 4 contributions under the Social Security Act 1975 (an Act of Parliament) as that Act has effect in the Island.

14 Regulations

(1) The Treasury may make all such regulations as are necessary to carry into effect this Part.

(2) Without prejudice to the generality of subsection (1), regulations may include provision —

(a) for the qualification for credit of persons who die during a year of assessment;

(b) amending the amounts specified in sections 5, 6 and 7;[29]

(c) amending the marginal rate reduction factors specified in sections 5 and 6;

(d) for varying the payment of credit to persons who marry or cease to live together;

(e) amending the definition of "gross income" in section 15.

(2A) Regulations under this Part shall have effect in respect of the year of assessment specified in them (which may include the year of assessment in which the regulations were made and any subsequent year).[30]

(3) Regulations under this Part shall not come into operation unless they are approved by Tynwald.[31]

15 Interpretation

In this Part —

"**credit**" has the meaning given in section 1(1);

"**gross income**" means the whole of the income of the individual from all sources from both within and outside the Island and, without prejudice to the generality of that definition, —

(a) includes —

(i) all income (whether or not it is not treated as income for the purposes of the Income Tax Acts and whether or not it is subject to income tax under the Income Tax Acts);

(ii) benefits in kind and all other benefits (excluding those referred to in sub-paragraph (iii) or (iv)) that are treated as income for the purposes of the Income Tax Acts with the exception of benefits in respect of which income tax is not payable;

(iii) all payment of benefit chargeable to income tax under section 48 of the *Income Tax Act 1970*;[32]

(iv) all payments of benefit similar to those referred to in sub-paragraph (iii) that are paid under the law of another country or territory;

(b) no exemption, relief or allowance (including capital allowances) which is allowable for the purpose of calculating income for the purposes of the Income Tax Acts shall be taken into account;

(c) no deduction other than under section 31B of the 1970 Act (money expended in performance of duties) shall be taken into account;[33]

"**resident**" means resident in the Island for the purposes of the Income Tax Acts.

16 Commencement

This Part shall have effect in respect of the year of assessment commencing on 6 April 2003 in respect of persons qualifying for credit in the year of assessment commencing on 6 April 2002.

PART 2[34]

17 [Repealed][35]

18 [Repealed][36]

PART 3 – INFORMATION: INTERNATIONAL OBLIGATIONS

19 to 22 [Repealed][37]

PART 4 – MISCELLANEOUS AMENDMENTS AND GENERAL

Amendments

23 [Repealed][38]

24 to 28 [Repealed][39]

General

29 Interpretation

In this Act, "**1970 Act**" means the *Income Tax Act 1970*.

30 Financial provision

There shall be paid out of monies provided by Tynwald any expenses of the Treasury that are attributable to this Act.

31 Short title, construction and commencement

(1) This Act may be cited as the Income Tax Act 2003 and shall be construed as one with the 1970 Act.

(2) Except where otherwise provided in this Act, the provisions of this Act shall come into operation on such day as the Treasury may by order

prescribe and different days may be so prescribed for different purposes and for different provisions.[40]

(3) An order under subsection (2) may contain such transitional provisions as the Treasury may consider necessary in connection with any provision brought into force by the order.

ENDNOTES

Table of Legislation History

Legislation	Year and No	Commencement

Table of Renumbered Provisions

Original	Current

Table of Endnote References

[1] Subs (1) substituted by SD2015/0013 and confirmed by Income Tax Act 2015 s 4, effective in respect of the income tax year ending 5 April 2015 and all subsequent years.
[2] Para (d) inserted by SD2017/0024 in respect of payments made on or after 6/4/2017 for income tax year commencing 6/4/2017 and subsequent years.
[3] Subs (4) substituted by SD2015/0013 and confirmed by Income Tax Act 2015 s 4, effective in respect of the income tax year ending 5 April 2015 and all subsequent years.
[4] Subs (5) repealed by SD2015/0013 and confirmed by Income Tax Act 2015 s 4, effective in respect of the income tax year ending 5 April 2015 and all subsequent years.
[5] S 2 substituted by SD22/10 and confirmed by Income Tax Act 2011 s4, effective 6/4/2010.
[6] S 3 heading amended by Civil Partnership Act 2011 Sch 14.
[7] Para (e) inserted by SD2017/0024 in respect of payments made on or after 6/4/2017 for income tax year commencing 6/4/2017 and subsequent years.
[8] S 3 amended by Income Tax (Amendment) Act 2006 Sch effective i.r.o. year of assessment commencing on 6/4/2006 and subsequent years, by Civil Partnership Act 2011 Sch 14 and by SD2015/0013 and confirmed by Income Tax Act 2015 s 4, effective in respect of the income tax year ending 5 April 2015 and all subsequent years.
[9] Subs (1) repealed by SD2017/0024 in respect of payments made on or after 6/4/2017 for income tax year commencing 6/4/2017 and subsequent years.
[10] Para (a) amended by Civil Partnership Act 2011 Sch 14.
[11] Para (b) amended by Civil Partnership Act 2011 Sch 14.
[12] Subs (2) amended by Income Tax (Amendment) Act 2006 Sch effective i.r.o. year of assessment commencing on 6/4/2006 and subsequent years and by Civil Partnership Act 2011 Sch 14.

[13] Subs (1) amended by SD51/12 and confirmed by Income tax Act 2013 s 2, with effect in respect of the income tax year ending 5/4/2012 and all subsequent years and by SD 2015/0012, effective in respect of payments made on or after 6 April 2015 for the income tax year commencing 6 April 2014 and subsequent years.
[14] Subs (2) repealed by Income Tax Act 2009 s 13 effective in respect of the income tax year commencing on 6/4/2009 and subsequent years.
[15] S 6 heading amended by Civil Partnership Act 2011 Sch 14.
[16] Subs (1) amended by Civil Partnership Act 2011 Sch 14.
[17] Subs (2) amended by SD51/12 and confirmed by Income tax Act 2013 s 2, with effect in respect of the income tax year ending 5/4/2012 and all subsequent years and by SD 2015/0012, effective in respect of payments made on or after 6 April 2015 for the income tax year commencing 6 April 2014 and subsequent years.
[18] Subs (3) added by SD22/10 and confirmed by Income Tax Act 2011 s 4, effective 6/4/2010. [Original subs (3) repealed by Income Tax Act 2009 s 14 effective in respect of the income tax year commencing on 6/4/2009 and subsequent years.]
[19] Subs (3) amended by Civil Partnership Act 2011 Sch 14.
[20] Subs (4) substituted by SD2015/0013 and confirmed by Income Tax act 2015 s 4, effective in respect of the income tax year ending 5 April 2015 and all subsequent years and amended by SD2017/0024 in respect of payments made on or after 6/4/2017 for income tax year commencing 6/4/2017 and subsequent years.
[21] Subs (5) added by SD22/10 and confirmed by Income Tax Act 2011 s4, effective 6/4/2010 and substituted by SD2015/0013 and confirmed by Income Tax Act 2015 s 4, effective in respect of the income tax year ending 5 April 2015 and all subsequent years and amended by SD2017/0024 in respect of payments made on or after 6/4/2017 for income tax year commencing 6/4/2017 and subsequent years.
[22] S 6 amended by Civil Partnership Act 2011 Sch 14.
[23] Subs (1) amended by Civil Partnership Act 2011 Sch 14.
[24] Para (a) amended by SD51/12 and confirmed by Income tax Act 2013 s 2, with effect in respect of the income tax year ending 5/4/2012 and all subsequent years and by Tynwald resolution dated 17/02/2015, effective income tax year commencing 06/04/2015 and subsequent years.
[25] Para (b) amended by SD51/12 and confirmed by Income tax Act 2013 s 2, with effect in respect of the income tax year ending 5/4/2012 and all subsequent years, by Tynwald resolution dated 17/02/2015, effective income tax year commencing 06/04/2015 and subsequent years and by SD2015/0013 and confirmed by Income Tax Act 2015 s 4, effective in respect of the income tax year ending 5 April 2015 and all subsequent years.
[26] Subs (2A) inserted by SD2017/0024 in respect of payments made on or after 6/4/2017 for income tax year commencing 6/4/2017 and subsequent years.
[27] Para (b) amended by SD155/10 Sch 6, by SD2014/08 and by SD2015/0013 and confirmed by Income Tax Act 2015 s 4, effective in respect of the income tax year ending 5 April 2015 and all subsequent years.
[28] Subs (4) amended in accordance with amendment of subs (3)(b) (above) by SD155/10 Sch 6, by SD2014/08 and by SD2015/0013 and confirmed by Income Tax Act 2015 s 4, effective in respect of the income tax year ending 5 April 2015 and all subsequent years.

[29] Para (b) amended by SD51/12 and confirmed by Income tax Act 2013 s 2,
[30] Subs (2A) inserted by SD51/12 and confirmed by Income tax Act 2013 s 2.
[31] Subs (3) substituted by SD2017/0024 in respect of payments made on or after 6/4/2017 for income tax year commencing 6/4/2017 and subsequent years.
[32] Subpara (iii) substituted by SD47/06.
[33] Para (c) substituted by SD23/10.
[34] Part 2 repealed by Income Tax Act 2013 s 3.
[35] S 17 repealed by Income Tax Act 2013 s 3.
[36] S 18 repealed by Income Tax Act 2013 s 3.
[37] Ss 19 to 22 repealed by SD315/13.
[38] S 23 repealed by Income Tax (Amendment) Act 2006 s 7.
[39] SS 24 to 28 repealed by Income Tax Act 2013 s 13.
[40] ADO (ss 17 to 22 and 26 to 28) 1/3/2005 (SD116/05).