



**Isle of Man**

*Ellan Vannin*

**AT 5 of 2004**

# **INCOME TAX (AMENDMENT) ACT 2004**





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## INCOME TAX (AMENDMENT) ACT 2004

### Index

Section	Page
<b>PART 1 – BASIS OF ASSESSMENT AND SUPPLEMENTARY PROVISIONS</b>	<b>5</b>
1 Assessment base.....	5
2 Date when tax due and payable .....	5
3 Payment on account of income tax.....	6
4 Repayment supplements .....	6
5 Interest on overdue tax .....	6
6 [Section 7A and 7B inserted] .....	6
7 Non-corporate taxpayers: transition to current year base .....	6
<b>PART 2 – TAX RETURNS AND CIVIL PENALTIES</b>	<b>7</b>
8 Amendments and Insertion.....	7
9 Civil penalties for tax return defaulters.....	7
<b>PART 3 – DOCUMENTS AND INFORMATION</b>	<b>7</b>
10 Powers in respect of documents and information .....	7
<b>PART 4 – DIFFERENTIAL TAX RATES: ANTI-AVOIDANCE</b>	<b>8</b>
11 Differential tax rates: anti-avoidance .....	8
<b>PART 5 – MISCELLANEOUS AND GENERAL</b>	<b>8</b>
12 [Repealed] .....	8
13 [Amends section 15(1) of the <i>Income Tax Act 1995</i> by inserting paragraphs (aa) and (ab).] .....	8
14 Section 21 of the 1970 Act amended.....	8
15 [Further amendments of the 1970 Act] .....	8
16 Interpretation.....	9
17 Short title and commencement .....	9
<b>SCHEDULE 1</b>	<b>11</b>
<b>NEW SECTIONS 111C TO 111I INSERTED INTO THE 1970 ACT</b>	<b>11</b>

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<b>SCHEDULE 2</b>	<b>11</b>
NEW SECTIONS 105C TO 105O INSERTED INTO THE 1970 ACT	11
<b>SCHEDULE 3</b>	<b>11</b>
DIFFERENTIAL TAX RATES: ANTI-AVOIDANCE	11
<b>ENDNOTES</b>	<b>13</b>
TABLE OF LEGISLATION HISTORY	13
TABLE OF RENUMBERED PROVISIONS	13
TABLE OF ENDNOTE REFERENCES	13

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## INCOME TAX (AMENDMENT) ACT 2004

<i>Received Royal Assent:</i>	<i>15 June 2004</i>
<i>Passed:</i>	<i>15 June 2004</i>
<i>Commenced:</i>	<i>See endnotes</i>

**AN ACT** to change the assessment base for non-corporate taxpayers; to introduce civil penalties in respect of late tax returns; to confer powers on the Assessor to obtain documents, information and accounts; to provide certain anti-avoidance measures; to permit the grant of personal relief to non-residents; to amend provisions relating to temporary tax orders; to make minor and supplementary amendments to the Income Tax Acts; and for connected purposes.

### PART 1 – BASIS OF ASSESSMENT AND SUPPLEMENTARY PROVISIONS

#### **1 Assessment base**

- (1) This section changes the income tax base so that all the income of non-corporate taxpayers is taxed on a current year basis.
- (2) [Inserts section 81A in the *Income Tax Act 1970*.]
- (3) [Repealed]<sup>1</sup>

#### **2 Date when tax due and payable**

- (1) This section changes the date on which income tax is due and payable by non-corporate taxpayers.
- (2) [Inserts section 96A in the *Income Tax Act 1970*.]
- (3) [Repealed]<sup>2</sup>
- (4) [Repealed]<sup>3</sup>

### 3 Payment on account of income tax

- (1) This section introduces a requirement for non-corporate taxpayers to make a payment on account of income tax.
- (2) [Inserts sections 96B and 96C in the *Income Tax Act 1970*.]

### 4 Repayment supplements

- (1) This section amends the system of repayment supplements to take account of the change in the assessment base for non-corporate taxpayers and the introduction of payments on account of income tax.
- (2) [Inserts section 107B in the *Income Tax Act 1970*.]
- (3) and (4) [Repealed]<sup>4</sup>

### 5 Interest on overdue tax

- (1) This section amends the system of charging interest on overdue tax to take account of the change in the assessment base for non-corporate taxpayers.
- (2) [Amends section 111A of the *Income Tax Act 1970* as follows: paragraph (a) substitutes in subsection (1) the words 'relevant date' for the words 'thirty first day after the date on which the tax becomes due and payable'; paragraph (b) inserts subsection (1A); and paragraph (c) adds the words 'and the Treasury may prescribe a different rate of interest (to be known as the 'surcharge rate') in respect of cases to which subsection (1A)(b) applies' at the end of subsection (9).]

### 6 [Section 7A and 7B inserted]

- (1) [Repealed]<sup>5</sup>
- (2) [Inserts sections 7A and 7B in the *Income Tax Act 1970*.]

### 7 Non-corporate taxpayers: transition to current year base

- (1) This section applies for the purpose of the transition from previous year assessment to current year assessment in respect of the income of non-corporate taxpayers that was assessed on a previous year basis immediately before the commencement of this section.
- (2) At midnight on 5 April 2004 all non-corporate taxpayers shall, for the purposes of the Income Tax Acts, be treated as —
  - (a) ceasing to carry on any profession, trade or vocation which was then carried on by them and assessed on a previous year basis; and
  - (b) ceasing to receive income from all other sources which was then assessed on a previous year basis,

and the provisions of the Income Tax Acts will apply with the necessary modifications.

- (3) From midnight on 5 April 2004, all non-corporate taxpayers shall, for the purposes of the Income Tax Acts, be treated as —
- (a) commencing to carry on any profession, trade or vocation to which subsection (2)(a) applies; and
  - (b) in respect of income to which subsection (2)(b) applies, as receiving income from a new source,

and the provisions of the Income Tax Acts will apply with the necessary modifications.

## PART 2 – TAX RETURNS AND CIVIL PENALTIES

### 8 Amendments and Insertion

- (a) [ Amends section 62 of the *Income Tax Act 1970* as follows: subparagraph (i) substitutes in subsection (1) the words ‘the sixth day of October’ for the words ‘the thirtieth day of June’; subparagraph (ii) substitutes in subsection (4) the expression ‘6 months’ for the words ‘twenty-one days’; and subparagraph (iii) adds subsection (6).]
- (b) [Inserts sections 62A and 62B in the *Income Tax Act 1970*.]
- (c) [Inserts section 111J in the *Income Tax Act 1970*.]

### 9 Civil penalties for tax return defaulters.

After section 111B of the 1970 Act insert the new sections set out in Schedule 1 (civil penalties).

## PART 3 – DOCUMENTS AND INFORMATION

### 10 Powers in respect of documents and information

- (1) After section 105B of the 1970 Act insert the new sections set out in Schedule 2 (production and inspection of documents and information, etc.).
- (2) [Amends section 19 of the *Income Tax Act 2003* as follows: paragraph (a) inserts subsection (1A); and paragraph (b) inserts in subsection (2) the expression ‘but other than section 21’ after the words ‘this Act’.]

## PART 4 – DIFFERENTIAL TAX RATES: ANTI-AVOIDANCE

### 11 Differential tax rates: anti-avoidance

- (1) Before the cross-heading relating to section 108 of the 1970 Act insert the new sections set out in Schedule 3 (anti-tax avoidance measures in respect of differential rates of income tax, etc.).
- (2) [Amends section 2H of the *Income Tax Act 1970* by adding subsection (10).]

## PART 5 – MISCELLANEOUS AND GENERAL

### 12 [Repealed]<sup>6</sup>

### 13 [Amends section 15(1) of the *Income Tax Act 1995* by inserting paragraphs (aa) and (ab).]

### 14 Section 21 of the 1970 Act amended

[Amends section 2L of the *Income Tax Act 1970* as follows: paragraph (a) repeals the words from ‘less all other’ to the end of subsection (1); and paragraph (b) inserts subsection (1A).]

### 15 [Further amendments of the 1970 Act]

- (1) [Amends section 33 of the *Income Tax Act 1970* by substituting the words ‘permitted to be made from total income by the Income Tax Acts’ for the words from ‘specified’ to the end of the section.]
- (2) [Repealed]<sup>7</sup>
- (3) [Repealed]<sup>8</sup>
- (4) [Inserts section 81B in the *Income Tax Act 1970*.]
- (5) [Amends section 102 of the *Income Tax Act 1970* by substituting the word ‘thirtieth’ for the word ‘seventh’.]
- (6) [Repealed]<sup>9</sup>
- (7) [Amends section 120 of the *Income Tax Act 1970* as follows: paragraph (a) substitutes in paragraph (a) of the definition of ‘taxable income’ the words ‘permitted under the Income Tax Acts;’ for the words from ‘under’ to the end of that paragraph; and paragraph (b) inserts the definitions of ‘non-corporate taxpayer’ and ‘corporate taxpayer’.]
- (8) [Repeals section 64(3) and (4) of the *Income Tax Act 1989* and section 4(2) the *Income Tax Act 1991*.]



**16 Interpretation**

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

**17 Short title and commencement**

- (1) This Act may be cited as the Income Tax (Amendment) Act 2004 and shall be construed as one with the 1970 Act.
- (2) Except where this Act otherwise provides, this Act shall have effect in respect of the income tax year commencing on 6 April in such year as may be specified in an order made by the Treasury and subsequent years.
- (3) An order under subsection (2) may specify different commencement years for different provisions and for different purposes.
- (4) The Treasury may by order make such transitional provisions or savings as it may consider necessary in connection with the commencement of any provision of this Act.
- (5) An order under subsection (4) may have effect in respect of the whole of the year of assessment in which the order is made.
- (6) Subsections (4), (5) and this subsection shall expire on 6 April 2005.<sup>10</sup>



**Schedule 1**

**NEW SECTIONS 111C TO 111I INSERTED INTO THE 1970 ACT**

Section 9

[Sch 1 amends the following Act —  
Income Tax Act 1970 q.v.]

**Schedule 2**

**NEW SECTIONS 105C TO 105O INSERTED INTO THE 1970 ACT**

Section 10

[Sch 2 amends the following Act —  
Income Tax Act 1970 q.v.]  
Delivery of documents, etc.

**Schedule 3**

**DIFFERENTIAL TAX RATES: ANTI-AVOIDANCE**

Section 11

[Sch 3 amends the following Act —  
Income Tax Act 1970 q.v.]



## ENDNOTES

### Table of Legislation History

Legislation	Year and No	Commencement

### Table of Renumbered Provisions

Original	Current

### Table of Endnote References

- 
- <sup>1</sup> Para (3) repealed by Income Tax (Corporate Taxpayers) Act 2006 s 1.
- <sup>2</sup> Subs (3) repealed by Income Tax (Corporate Taxpayers) Act 2006 s 4.
- <sup>3</sup> Subs (4) repealed by Income Tax (Corporate Taxpayers ) Act 2006 s 3.
- <sup>4</sup> Subss (3) and (4) repealed by Income Tax (Corporate Taxpayers) Act 2006 s 16.
- <sup>5</sup> Subs (1) repealed by Income Tax (Corporate Taxpayers) Act 2006 s 2.
- <sup>6</sup> S 12 (never operative) repealed by Income Tax (Amendment) Act 2006 s 6 effective i.r.o. year of assessment commencing 6 April 2006 and subsequent years.
- <sup>7</sup> Subs (2) repealed by Income Tax Act 2009 Sch 2.
- <sup>8</sup> Subs (3) repealed by Income Tax (Amendment) Act 2006 Sch effective i.r.o. year of assessment commencing on 6/4/2006 and subsequent years.
- <sup>9</sup> Subs (6) repealed by Income Tax (Corporate Taxpayers) Act 2006 s 16.
- <sup>10</sup> ADO (ss 1 to 3, 5, 6, 10, 11, 13, 15 to 17, Sch 2, Sch 3) operative tax year commencing 6/4/2004 and subsequent years; (ss 4, 8, 14) operative tax year commencing 6/4/2005 and subsequent years ; (s 9 and Sch 1) operative tax year commencing 6/4/2005 and subsequent years i.r.o. returns for income tax year ending 5/4/2005 and subsequent years (SD561/04). Ss 2(2), 4(2), 5(2)(c), 11, 15(6), Sch 3, subject to transitional provisions - see SD561/04.)