

# DOING BUSINESS

IN THE ISLE OF MAN

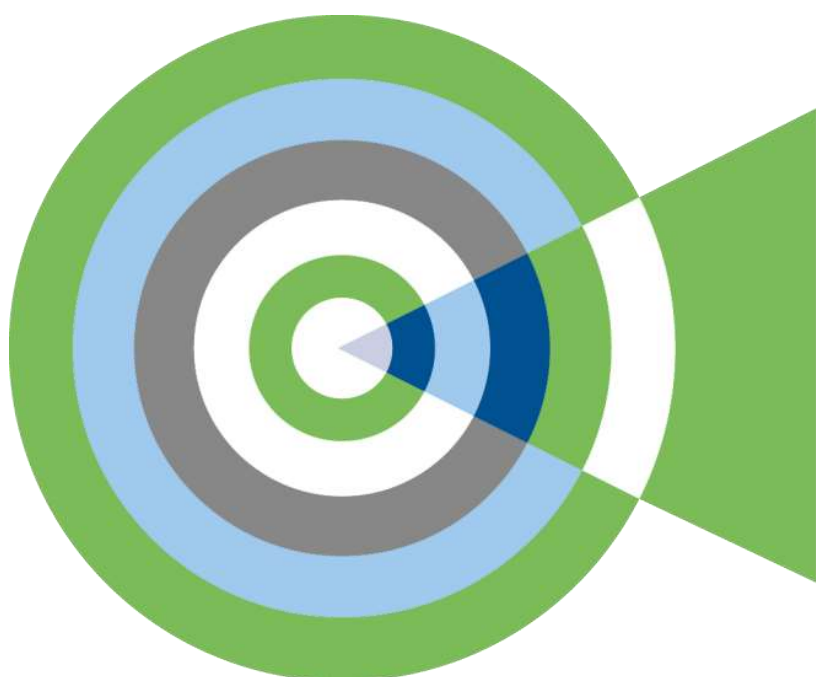


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# 1 – INTRODUCTION

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UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in around 90 countries throughout the world.

Member firms work together through the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for users considering business operations in the Isle of Man has been provided by the office of UHY representatives:

## UHY CROSSLEYS LLC

PO Box 1  
Portland House  
Station Road  
Ballasalla  
Isle of Man, IM99 6AB  
British Isles

Phone +44 (0) 1624 822816  
Website [www.crossleys.com](http://www.crossleys.com)  
Email [mail@crossleys.com](mailto:mail@crossleys.com)

You are welcome to contact [Andrew Pennington \(apennington@crossleys.com\)](mailto:apennington@crossleys.com) or [Paul Sayle \(psayle@crossleys.com\)](mailto:psayle@crossleys.com) for any enquiries you may have.

Information in the following pages has been updated so that it is effective at the date shown, but inevitably it is both general and subject to change and should be used for guidance only. For specific matters, users are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at May 2016.

We look forward to helping you do business in the Isle of Man.

## 2 – BUSINESS ENVIRONMENT

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### BACKGROUND

#### GEOGRAPHY AND CLIMATE

The Isle of Man lies in the Irish Sea, midway between the coasts of England, Ireland, Scotland and Wales. At its extremities, the island measures 33 miles (52km) by 13 miles (22km) and has a land mass area of some 227 square miles (527sq km).

Although a comparatively small island, it offers a wide variety of scenery covering virtually every type found elsewhere in the British Isles. Encompassed within more than 100 miles (160km) of coastline, there is a central range of mountains and hills lying in a north-easterly/south-westerly direction, with well-defined valleys leading down to rocky cliffs and sheltered bays. This contrasts with a flat northern plain with its long sandy beaches.

Over recent years, the Island has experienced a growth in its resident population to the present level of 84,500 (2011 Census).

The major centre of population is based in Douglas, the Island's capital, which has over 27,900 inhabitants, with a further 32,400 living in seven other main towns and villages. The Isle of Man has an equable climate lacking in extremes, escaping the harsh variations experienced in the rest of the British Isles by virtue of its location and the warming influence of the Gulf Stream which flows around the shoreline.

The rugged nature of the Island's topography affords varying degrees of shelter and exposure from the prevailing south-westerly winds. In summer, the months of April, May and June are usually the driest, while May, June and July are the sunniest. July and August are the warmest months with an average daily maximum temperature around 17.4°C (63°F). Rarely in the year does the temperature fall below zero.

#### HISTORY AND CULTURE

Rich in history, the Isle of Man can look back on a tapestry of events from the introduction of farming in the fourth millennium BC, the Manx Iron Age from 500BC to AD500, the Celtic traditions, through to Christianity and Viking rule in the ninth century AD.

During the mid-thirteenth to early fifteenth centuries, sovereignty passed frequently between Scotland and England, with occasional incursions from Ireland.

By the eighteenth century, it had become a major centre for the smuggling trade and to stop this, the British Government enacted a new law in 1765, namely the Revestment Act, and purchased the entire Island for just GBP 70,000. Although these measures were designed to save the United Kingdom's Treasury approximately GBP 100,000 per annum, they effectively deprived the Island's inhabitants of their main source of income.

In 1866, the British government returned some of the old legislative powers to the Island's own parliament, from which its high degree of autonomy emanates.

As the post-Victorian era arrived, the Island discovered the benefits of mass tourism and for many decades happily served holidaymakers of the Midlands, Northern England and Scotland.

However, nothing lasts forever and the changing shape of tourism brought about a decline in the numbers of traditional holidaymakers, therefore it is no longer the principal industry on the Island. In response to development and greater foreign awareness of Manx heritage and culture, more sophisticated markets are opening up and attracting a new clientele.

The finance sector, with the aid of the government, continues to expand and is now the major industry on the Island. Its success is reflected in the Isle of Man's prosperity.

## **RELATIONSHIP WITH THE UNITED KINGDOM**

### **THE CONSTITUTION AND POLITICAL SITUATION**

The Isle of Man, though not part of the UK, is a British Crown Dependency reliant on the UK for its defence and to act on its behalf in all international matters.

The Island's parliament, known as Tynwald, is the world's oldest continuous parliamentary body, with more than 1,000 years of unbroken rule.

Tynwald comprises two chambers, the Legislative Council and the House of Keys, and is responsible for the passing of domestic legislation and the levying of taxes. The House of Keys has 24 members, who are elected by the Island's population to represent each of the 15 constituencies. The upper house, the Legislative Council, comprises 11 people and includes the President of Tynwald, the Bishop of Sodor and Man, and the Island's Attorney General. Queen Elizabeth II, Lord of Man, is the head of state and her personal representative on the Island is His Excellency the Lieutenant Governor.

There are no party politics, as most candidates from the House of Keys stand as independents and invariably, reflecting the general nature of the Island's populace, adopt conservative policies.

### **CUSTOMS AND EXCISE**

There is an agreement between the Manx and British governments known as the Customs and Excise Agreement of 1979. It is often referred to as 'The Common Purse Agreement' and is basically a revenue-sharing system. The agreement enables the Isle of Man to have its own independent Customs and Excise administration and to be responsible for the collection of any duties and taxes arising in the island. Import and export controls are similar to those in the UK. During recent years the agreement has been amended and one of the more significant changes was the Island's right to negotiate the rate at which value added tax (VAT) may be levied on certain non-exportable services.

### PROTOCOL 3

At the time the UK was negotiating the Treaty of Accession (Treaty of Rome) with the European Union (EU), the Isle of Man government requested the UK government to agree to special arrangements on their behalf. Consequently, the Treaty of Accession was signed with the provision that the following paragraph be added to Article 227 of the founding Treaty, namely:

‘This Treaty shall apply to...the Isle of Man only to the extent necessary to ensure the implementation of the arrangements for those Islands set out in the Treaty concerning the Accession of the United Kingdom of Great Britain and Northern Ireland to the European Economic Community.’

### IMPORT/EXPORT CONTROLS

Protocol 3 of the Treaty of Accession ensures that the Isle of Man has a special relationship (through the UK) with the EU and is required to apply the Common Customs Tariff and the Common Agricultural Policy in the same way as member states. Goods of Manx origin are therefore entitled to free circulation status within the EU.

Effective from 1 January 1994, the European Economic Area Agreement (EEA Agreement) was formally adopted under Manx Law by the European Communities (Amendment) Act 1994. The EEA Agreement preserves the status quo of the Isle of Man’s relationship with the EU under Protocol 3. In practical terms, goods produced by the Island can now be freely circulated within the enlarged community.

### IMPORT AND RE-EXPORT DUTIES

Customs and excise duties, VAT and import/export controls apply on certain goods which are imported into the Isle of Man. There are no customs barriers between the UK and the Island.

Goods manufactured and originating in EU countries are imported into the Island free of duty, as are most goods manufactured and originating in member countries of the European Free Trade Association (EFTA). In general terms, imported goods from non-EU or EFTA countries are liable to duty in the range of 2% to 20%.

### EXPORT TO EU STATES

Goods manufactured on the Isle of Man and exported to the EU are free of duties and suffer no import restrictions at their country(s) of destination. However, where certain goods are manufactured on the Island from non-EU material, a minimum added value must be acquired before export to avoid restrictions in EU countries.

### EXPORTS TO NON-EU STATES

Goods exported to certain non-EU countries which have trade agreements with the EU may qualify for reduced or zero rates of duty. Goods manufactured in the Isle of Man from non-EU materials, as with goods exported to EU states, must acquire a minimum added value to qualify for the duty preference.

### FREEPORT

The Freeport provides free zone facilities for export business. Goods remaining within the Freeport are not subject to import duties, taxes or levies, as are goods which are re-exported.

## 3 – FOREIGN INVESTMENT

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### **BANKING AND FINANCE SECTOR**

#### **DOMESTIC BANKING INSTITUTIONS**

All the main British banks are represented on the Isle of Man and provide banking services to the local population, UK expatriates, as well as to foreign nationals. There are also a number of small private merchant banks with connections to the London Money Market.

Bank interest rates operate at the same level as those in the UK and resident and non-resident investors benefit by the payment of interest gross without the deduction of tax at source.

There are also a number of non-British banks with representation on the Isle of Man.

#### **INSURANCE**

Most of the established British insurance companies are represented on the Isle of Man. As the Island has seen considerable growth in all areas of the finance sector, such as captive insurance, life assurance and collective insurance schemes, funds are available to be invested in the money markets and elsewhere.

#### **STOCK EXCHANGE**

There is no official stock exchange on the Isle of Man, although a number of local companies enjoy the benefits of being listed on the London Stock Exchange. Around 3% of listings on London's Alternative Investment Market (AIM) are Manx-registered companies.

The Island also has more non-UK AIM 100 companies than any other jurisdiction.

Local companies are able to be quoted on UK or overseas stock exchanges. The brokering profession is well represented on the Isle of Man and a comprehensive service is available with direct access to the London market. In addition, venture capital funding is available through clearing bank and private sector sources.

#### **CURRENCY**

The Isle of Man has its own currency – the Manx or Isle of Man pound – which is directly linked to pound sterling and circulates freely on the Island. There are no exchange differences for conversion.

#### **EXCHANGE CONTROLS**

In 1979, exchange controls ceased in the Isle of Man and consequently there is free movement of funds in and out of the Island. The regime is such that there is no statutory framework in existence to allow for exchange controls to be re-introduced.

## 4 – SETTING UP A BUSINESS

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### BUSINESSES

There are no restrictions imposed within the Isle of Man on the type of business organisation which may be used to conduct business, although the most common vehicle for trading and investment is through the use of a Manx company. There are no residence or nationality restrictions.

The Companies Act of 2006 came into force in November 2006. The Act sets out a simplified process for registering a business in the Isle of Man, resulting in less paperwork and fewer regulations. The Act is a standalone piece of legislation (with the exception of liquidation and receivership) and runs alongside the Companies Acts 1931 to 2004. Companies formed under the old Acts can be converted to the 2006 version.

All companies registering under the 2006 Act are required to have an approved Isle of Man agent (which replaces a company secretary) and a registered office address on the Isle of Man.

The Isle of Man Companies Registry forms part of the Island's Central Registry which in turn a section of the Isle of Man Department for Economic Development.

### CORPORATE STRUCTURES

There are two main classes of company registration provided for in the Island's Companies Acts:

- Those incorporated in the Isle of Man under the Acts
- Those incorporated elsewhere and carrying on business within the Isle of Man under Part XI of the principle Act, being the Companies Act 1931.

### COMPANIES INCORPORATED IN THE ISLE OF MAN

Companies registering in the Isle of Man must have a registered office address on the Island.

To incorporate a company, the proposed Memorandum and Articles must be submitted to the Registrar of Companies. Once these documents have been approved, the new company is issued a company registration number and certificate of incorporation. The process is very similar to registering a UK company.

The types of company which can be incorporated under Manx law are:

- A company limited by shares
- A company limited by guarantee
- A company limited by shares and guarantee
- An unlimited company with shares
- An unlimited company without shares.

### TYPES OF COMPANIES

A company may be either 'private' or 'public'. Legislation defines a 'public company' as a company which is not a private company and one that states 'Public Limited Company' or PLC at the end of its name.



Unless a company's name includes the word 'Limited', the liability of the company's shareholders is unlimited. Limited liability may take the form of a guarantee to pay a sum of money in the event of the winding-up of the company or, it may be limited to the amount paid up on each share.

#### **DIRECTORS**

Under the Companies Act 2006, registered companies can have a single director regardless of whether they are individuals or corporate entities. There are no residence or nationality requirements.

#### **SHAREHOLDERS**

All Manx companies, other than public limited or unlimited companies, may be incorporated with, or ultimately have only one shareholder.

#### **SHARES**

The share capital of an Isle of Man company may comprise different classes of shares (convertible, ordinary or common). Under the Companies Act 2006, companies can no longer issue shares in bearer form. A company director can also grant share options to acquire shares at some point in the future. Legislation also exists which enables a company to acquire its own shares.

#### **COMPANIES INCORPORATED OUTSIDE THE ISLE OF MAN**

The Companies Act 1931 to 2004 and the Companies Act 2006 stipulate that Isle of Man registered companies must have a registered office address on the island. In addition, a Company incorporated under the Companies Act 2006 must have a registered agent on the Isle of Man.

A registered agent must file an application for the incorporation of an Isle of Man company with the Registrar of Companies. Applications from anyone other than a registered agent will not be accepted by the Registrar. The following documents need to be registered:

- The proposed Memorandum of Association
- The proposed Articles of Association.

#### **UNINCORPORATED BUSINESSES**

Individuals may engage in business as sole traders, sole practitioners or in partnerships.

#### **SOLE TRADERS AND PRACTITIONERS**

A sole trader or practitioner is an individual who conducts a trade, profession or vocation by himself. Additional personnel may be employed to assist in the running of the business, but the sole trader is personally responsible for any liabilities that arise.

The business name is required to be registered at the General Registry under the Registration of Business Names Act 1918 and 1954 if the trade is carried out in the Isle of Man under a name which does not consist of the true surname, without any addition other than the true Christian name/s or the initials thereof, of the trader or practitioner.

## PARTNERSHIPS

The legislation which governs partnerships in the Isle of Man is the Partnership Act 1909. This is based upon the provisions of the UK's Partnership Act 1890 and Limited Partnership Act 1907.

A 'partnership' is defined by the Partnership Act 1909 as: 'the relationship which subsists between persons carrying on a business in common with a view to profit'. It defines and describes:

- The nature of partnerships
- The relations of partners to persons dealing with them
- The relations of partners to one another
- The dissolution of the partnership and its consequences
- The conditions under which partners may obtain limited liability.

Under normal circumstances, a partner's liability is unlimited, unless it is limited in accordance with the Partnership Act 1909.

A partner to a partnership may be either an individual or corporation. Under provisions of the Registration of Business Names Act 1918 to 1954, partnership names are required to be registered at the General Registry if they differ from the names of the respective partners in each case.

There is no requirement in the Isle of Man for partnership agreements or the financial accounts of partnerships to be made available for public inspection at the General Registry.

## TRUSTS

A trust exists where the legal and equitable interests in property are separated. It is created by a settlor, who settles property into the trust, which is administered by trustees who hold the property (legal interest) of the trust for the benefit of other persons known as beneficiaries (equitable interest).

A settlor or trustee may be any person or corporation who can hold and dispose of any legal or equitable estate or interest in property.

Beneficiaries are those persons capable of holding property, including a minor (any individual under the age of 18) who would normally be incapable of holding a legal estate in land.

Due to their very nature, trusts are extremely tax efficient and useful in the protection of assets.

## TRUST LAW

Manx Trust Law is based on statute and judicial precedent. The principal Manx trust statutes are the Trustee Act 1961, the Variation of Trusts Act 1961, the Perpetuities and Accumulations Act 1968, the Trust Act 1995 and the Trustee Act 2001. In keeping with the Isle of Man's desire to meet internationally recognised standards, it has adopted (with some modifications and exclusions) the Hague Convention on the Law of Trusts in Recognition of Trusts Act 1988.

## PERPETUITIES AND ACCUMULATIONS

The normal perpetuity period of a Manx trust is 150 years, whereas previously this was 80 years (statutory). If there is uncertainty as to whether a disposition will be vested in the trustee(s) or not within the perpetuity period, it is possible to 'wait and see' whether it does in fact happen.

Unlike the UK, there are no restrictions on the accumulation of income and therefore a Manx trust can continue to accumulate its income throughout the period of perpetuity.

## INVESTMENT AND GENERAL POWERS

Administrative and investment powers of trustees may be expressly provided for in the Manx trust instrument and trustees are also empowered to invest in such investments as are authorised under English law (English Trustee Investments Act 1961), but these must be administered in accordance with the provisions of the principal Acts, the Trustee Act 1961 and the Trustee Act 2001.

## DISCLOSURE REQUIREMENTS

Manx trust deeds are not available for public inspection and therefore confer anonymity on both the settlor and beneficiaries.

## TYPES OF TRUSTS

In the Isle of Man, the most commonly used trusts are non-discretionary, discretionary and unit trusts. Local tax clearance of a trust can be obtained on written application and is ideally suitable for those seeking to incorporate a trust in tax planning structures.

### NON-DISCRETIONARY TRUSTS

These trusts are more commonly referred to as 'fixed interest trusts'. The beneficiaries of a trust are specifically named on the trust deed and on the occurrence of an event (eg a beneficiary reaching the age of 21), the trustees undertake and execute the provisions of the trust regarding the distribution of capital and/or income.

### DISCRETIONARY TRUSTS

In a discretionary trust, the beneficiaries are not usually named. The trustees have complete discretion and may award the capital and/or income of the trust to one or a number of beneficiaries provided for in the deed. Occasionally however, the settlor will give the trustees a 'letter of wishes' in which he or she makes suggestions as to who may be included in any class of beneficiaries.

### UNIT TRUSTS

An investment fund is established by a trust deed, which in turn details the purpose of the fund and the rules governing it. The laws applicable to such a trust are incorporated in the Prevention of Fraud (Investments) Act 1968.

Other trusts recognised in the Isle of Man are:

- Accumulation & Maintenance Trusts
- Interest in Possession Trust
- Protective Trusts
- Charitable Trusts
- Corporate Trusts.

### ISLE OF MAN FOUNDATIONS

Foundations, which are an alternative to trusts, are commonly used in civil law jurisdictions as vehicles for holding assets and estate planning. They are also popular vehicles for philanthropic purposes. Foundations are similar to trusts but they have a separate legal personality and therefore offer limited liability protection. Foundations within the island are governed by the Foundation Act 2011.

## 5 – LABOUR

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### IMMIGRATION

Immigration rules for the Isle of Man closely follow those of the UK. The rules apply to nearly everyone who is not a British citizen or who does not have the right to live in the UK, although Irish citizens are exempt from most of the provisions. The main immigration law is the UK Immigration Act 1971 as extended to the Isle of Man by Order of Council.

Anyone considering moving to the Isle of Man, who is not automatically eligible for admission, should contact a British Embassy, High Commission or Consulate.

For those people who are eligible to live in the UK, residence status in the Isle of Man is easily obtained. A person need only arrive on the island to establish residency, unlike the strict laws of other jurisdictions such as Jersey in the Channel Islands.

People who establish residency on the Island and wish to work here will, unless they are classed as an Isle of Man worker, require a work permit before taking up employment.

### CONTROL OF EMPLOYMENT

The Isle of Man is very receptive to the needs of the business community and seeks to support business enterprises in their desire to employ and train staff of the right calibre and expertise. There is also the need to provide employment for the local population and therefore controls are in place to protect the Island's local inhabitants.

Employment is regulated under the Control of Employment Acts 1975 and 2014. The Acts provide that anyone who is not an Isle of Man worker requires a work permit, distributed by the Work Permit Committee of the Department of Economic Development.

An Isle of Man worker, subject to various exceptions and provisions, is someone who:

- Was born on the Island
- Has, at any time, been ordinarily resident on the Island for a period of not less than ten consecutive years
- Has been ordinarily resident on the Island for any continuous period of five years commencing on or after 1 June 1963
- Is married to a person who qualifies as an Isle of Man worker
- Was formerly married to a person who qualified as an Isle of Man worker
- Is a person, one of whose parents was born on the Island
- Was ordinarily resident on the Island for five consecutive years immediately following his/her birth or has, during the period in which s/he was ordinarily resident on the Island, been receiving full-time education, whether on the Island or elsewhere but that person shall cease to be qualified as an Isle of Man worker if s/he ceases to be ordinarily resident on the Island.

### HEALTH SERVICES

The Isle of Man has its own National Health Service. The service is administered by the Isle of Man Department of Health and is similar to the National Health Service offered in the UK.

General medical services are free of charge and are available to residents from the date of taking up residence on the Island.

Healthcare takes a high priority in government expenditure plans, a fact which is reflected in the quality and extent of the services provided and the commitment given to building and improving hospital facilities. Consultants are available in most specialities; other areas are covered by visiting consultants on a regular basis. There are also arrangements in operation for the reference or transferral of emergency or severe cases to hospitals in the UK.

### SOCIAL SECURITY

The Isle of Man adopts, with one or two exceptions, the UK's social security arrangements to enable full reciprocity to be maintained between the two countries.

Liability for national insurance contributions (NICs), including the classes and rates of contributions, are similar to those of the UK. The same also applies to contributory benefits and pension.

### MINIMUM WAGE ACT 2001

The Minimum Wage Act came into force in 2001. As of 1 January 2016, the Isle of Man minimum wage is £7.00 for a worker aged 21 or over, £6.65 for a worker aged between 18 and 21 and £5.40 for those above school leaving age but under 18.

### EDUCATION AND TRAINING

Education has always featured high on the government's list of priorities for the people of the Island and with a combination of all that is best in traditional and modern teaching methods, it ensures the high standards enjoyed over the past years continue. Administered by their own Department of Education and Children, schools operate within the general framework of the system adopted by England and Wales.

The Island's youngsters achieve good examination results at all levels, confirming the reputation which the schools and teaching staff have for academic excellence.

A cornerstone of government policy is the development of young people's skills to meet increasing job opportunities, and the encouragement of adult education and vocational training classes to meet the needs of local commerce and industry.

### HOUSING

The Island has an abundant housing stock of sufficient variety to suit most people's lifestyles. Properties are sold by private treaty although from time to time they are disposed of by public auction. Conveyancing is normally undertaken by advocates and all titles to land on the Island are registered with the government. Housing sales and purchases are usually quickly concluded and benefit from the lack of property taxes or stamp duties.

### QUALITY OF LIFE

First impressions are often lasting ones and the Island's people are proud of the fact that they are able to combine a buoyant and expanding economy with traditional values and standards.

The Island has an insatiable appetite for knowledge which is satisfied by the daily delivery of British newspapers and periodicals supported by a vibrant local press. Manx Radio has been broadcasting to the nation since June 1964. More recently, 3FM and Energy FM have also started broadcasting across the Island. The Isle of Man is covered by the footprints of most of the major European satellites which, together with the region's radio and television stations, cater for most tastes.

Away from the busy commercial centres, the Isle of Man has been able to retain a pace of life that is the envy of most urban dwellers. Coupled with fine leisure and recreational opportunities, it is easy to understand how and why visitors to the shores of Ellan Vannin ('Isle of Man' in the Manx language) are captivated by its atmosphere and friendly residents.

## 6 – TAXATION

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### TAX REGIME

The Isle of Man has a sympathetic tax regime, the only form of direct tax being income tax. There are no capital gains, death, inheritance, turnover or wealth taxes, and no estate or stamp duties.

The administration and collection of taxes is undertaken by the Income Tax Division of the Treasury, with the Customs & Excise Division being responsible in the main for VAT due on the sale of goods or services, together with duty arising on alcohol, cars, cigarettes, petrol and imported goods.

In addition to the above, which are collected on a national basis, local town and village authorities are able to collect rates which are levied by reference to business or residential property.

### BASIS OF TAXATION

Liability to taxation arises from the residency of the company, individual or trust and by location of assets and source of income. Companies and individuals resident on the Isle of Man pay tax on their worldwide income, whereas non-residents are generally subject to tax only on Manx sourced income.

### LIABILITY OF COMPANIES

From 2006, most companies now pay tax at 0%. Companies having income from banking activities on the Isle of Man, or who otherwise elect to do so, will pay tax at 10%.

With effect from 6 April 2015 corporate taxpayers whose income is derived from land and property in the Isle of Man pay tax at a rate of 20% on that income.

There is also a 10% income tax rate for corporate taxpayers who carry on retail business in the Isle of Man and have a taxable profit of more than £500,000 per annum from such business. The Isle of Man Government Income Tax Division has set out a definition of retail business which does not include wholesale trade, e.g. goods sold to other businesses.

A Manx resident shareholder will be taxable on any distributions made by the company with a credit being given to the shareholder in respect of any tax that has been paid by the company. However no taxation will be sought from distributions to non-residents.

### CAPITAL ALLOWANCES

Capital allowances are available for a variety of expenditures, and losses may be surrendered to group members, set off against other income or carried forward against future profits of the same trade.

### INDIVIDUALS

#### THE LIABILITY OF INDIVIDUALS

A liability to Manx income tax arises when residence is first established. Residence can be established by choice of determination from the very first day an individual arrives on the Island, or by a person's actions.



An individual will always be regarded as a Manx resident for a year of assessment if that person resides, i.e. lives, on the Isle of Man for six months or more in that year. For this purpose, six months is taken as 183 days, irrespective of whether the year is a leap year or not. In addition, an individual who undertakes regular visits to the Island, which extend on average to three months (90 days) or more each year, over a period of four consecutive years, will be considered a resident.

A person may be resident in more than one country at a time. Being a resident of one country or several will not preclude an individual from being regarded as a resident of the Isle of Man. The period of time spent in any other country will be irrelevant, provided the length of stay in an abode on the Isle of Man is characteristic of a settled home or residence.

An individual who resides in several countries, but considers his main or habitual home as the Isle of Man, is deemed to be ordinarily resident for Manx income tax for any year of assessment, however long he/she is away from the Island, unless the period of absence is for a complete tax year.

The maximum amount of income tax that an individual or a jointly assessed married couple/civil partners pays in the Island is capped. This capped amount is £125,000 for an individual and £250,000 for a jointly assessed married couple/civil partners for the 2016/17 tax year.

A Manx resident individual or jointly assessed married couple/civil partner must make an election in order for this tax cap to apply. If an election is approved by the Assessor of Income Tax it will apply for a period of five consecutive tax years at the amount applicable for the first year of election.

#### PERSONAL INCOME

The worldwide income of an Isle of Man resident is subject to Manx income tax. Such income includes earned income (e.g. income from employment, pensions, etc.), and investment income (e.g. dividends and loan interest).

#### BENEFITS IN KIND

A benefit in kind may be regarded as the financial benefit obtained by employees by reason of their employment. Such benefits are taxable on the recipient as earned income. The benefit is the value in 'money or money's worth'. Benefits usually take the form of expenses met by the employer for the provision/use of particular assets, e.g. a car.

#### PERSONAL DEDUCTIONS

An individual may claim various deductions from his/her income before he/she is subject to taxation. The more commonly claimed deductions are personal allowances, which include the following:

Personal allowances for 2016/17 (6 April 2016 to 5 April 2017)

	£
Single person	10,500
Married couple	21,000
Single parent additional allowance	6,400
Blind person	2,900
Disabled person	2,900
Co-habiting couple's maximum addition	6,400
Non-resident's personal allowance	zero
Age allowance (65 or over)	1,000

### PERSONAL PENSION SCHEME

Individuals contributing to Personal Pension Schemes are able to obtain income tax relief on the premiums paid of 17.5% up to the age of 35, rising in stages up to 40% for those over the age of 60.

### INTEREST PAID

Interest paid to any financial institution whose profits are subject to Manx income tax is eligible for relief. With effect from 6 April 2012, mortgage and loan interest relief have been capped at £7,500 per person.

### MAINTENANCE PAYMENTS

Any maintenance received is no longer classed as taxable income and therefore individuals in receipt of this income will not be taxed on the amount received. In addition, tax relief for maintenance paid was abolished from 6 April 2012.

### TAX RELIEF FOR DEDUCTIONS

Tax relief is restricted to 10% for deductions available to individuals in respect of interest paid on mortgages or loans, charitable donations or deeds of covenant, private medical insurance payments, nursing expenses and educational deeds of covenant entered into on or before 5 April 2011 and where the student is in qualifying full time education at that date.

### OTHER TAXES

#### DOUBLE TAXATION

As at 30 April 2016, the Isle of Man has signed 11 double taxation agreements (DTA) and 38 tax information exchange agreements (TIEAs), along with numerous industry specific agreements with other countries. The numbers of these agreements are expected to increase further through 2016 as it is the Isle of Man government's stated policy to continue to negotiate further DTAs and TIEAs with other jurisdictions.

For a full list of agreements please refer to the Isle of Man Government website at [www.gov.im/categories/tax,-vat-and-your-money/income-tax-and-national-insurance/tax-practitioners-and-technical-information/international-agreements](http://www.gov.im/categories/tax,-vat-and-your-money/income-tax-and-national-insurance/tax-practitioners-and-technical-information/international-agreements)

## AUTOMATIC EXCHANGE OF INFORMATION

On 29 October 2014 the Isle of Man Treasury Minister signed an agreement in Berlin to become part of the first group of countries in the world to move to a new global standard for tax information exchange.

At the Berlin meeting 51 countries signed this agreement to share information automatically in accordance with a Common Reporting Standard (CRS) developed by the OECD and endorsed by the G20 group of major economies.

Further countries have since signed up to the CRS so that number of countries agreeing to automatically exchange information in accordance with this process now stands at over 90.

The Isle of Man has also separately signed Inter-Governmental Agreements (IGAs) with the United States and the United Kingdom in relation to the automatic exchange of information.

## VALUE ADDED TAX

There are a number of indirect taxes within the Isle of Man. The principal indirect tax is VAT, which is levied on the purchase and sale of goods and services. This is commonly referred to as the making of 'supplies'.

Supplies are outside the scope of the tax if they are:

- Made by someone who is not a taxable person
- Made outside the EU
- Not made in the course of furthering a business.

A 'taxable person' is an individual, firm, company or organisation which is required to be registered for VAT.

Currently an application for registration must be made if the company's taxable supplies exceed £83,000 in any 12-month period (measured on a 12-month rolling basis).

There are four categories of VAT:

- Exempt
- Zero-rated
- Lower rated (5%)
- Standard rated (20%).

## EXEMPT

A taxable person making exempt supplies is not required to charge VAT and generally may not take credit or claim a refund of VAT on goods or services supplied to them. The following supplies are examples of those deemed to be exempt for VAT:

- Most dealings in land, although exemption can be waived
- Insurance, reinsurance and broker services
- Postal services
- Education, health and welfare
- Finance – most bank services and the sale of securities.

## ZERO-RATED

A zero-rating is not used in any other EU member country, except the UK and Eire.

In general terms, within the UK (and therefore the Isle of Man) certain supplies of goods and services are zero-rated when supplied within the country. In common with all other EU countries, goods which are exported and certain services which are supplied to persons who belong outside the UK and EU, are zero-rated. Some of the more common items which are zero-rated are:

- Most basic food supplies
- Books, newspapers etc.
- Construction of domestic dwellings
- Drugs and medicines supplied on prescription
- Children's clothing and footwear.

## STANDARD-RATED

The standard rate of VAT is the current rate as it appears at any time in the UK. It applies to the supply of goods or services made in the UK which are not exempt, zero-rated or outside the scope of VAT.

The present rate is levied at 20%, which increased from 17.5% as of 4 January 2011 although rates of 5% apply to the supply of domestic heating and fuel, eg electricity, oil, gas and coal. Isle of Man hotel or similar establishment tariffs are now subject to a rate of 5%, together with certain domestic property improvements.

## VAT MOSS FOR ISLE OF MAN TRADERS

From 1 January 2015 changes were made to the VAT place of supply of services rules involving business to consumer (B2C) supplies of broadcasting, telecommunications and e-services (known as digital services). The changes mean the place of taxation of these supplies will be determined by the location of the consumer who receives the service and not, as it is now, by the location of the supplier of the service.

An optional online Mini One Stop Shop (VAT MOSS) service was introduced at the same time. This means businesses will not have to register in every European Union Member State in which they have consumers, but can use this service to account for any supplies that they make.

Isle of Man businesses have been able to register to use VAT MOSS from October 2014 and this online service became operational from 1 January 2015.

## 7 – ACCOUNTING & REPORTING

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### ACCOUNTS

The principal regulations governing the maintenance of accounting records, accounts and the audit of a company's financial affairs are contained within the Companies Act 1982 and the Companies Act 2006.

### REPORTING REQUIREMENTS

There is no requirement for companies registered under the Companies Act 2006 to prepare financial statements. However, such companies are required to keep reliable accounting records which correctly explain the transactions of a company and enable the financial position of the company to be determined with reasonable accuracy and allow for the preparation of financial statements.

These records should be kept for not less than six years from the end of the financial period to which they relate.

The remainder of this section concerns the accounting records of companies registered under the Companies Acts 1931–2004.

### ACCOUNTING RECORDS

It is the responsibility of the director(s) of a company to ensure that the accounting records clearly show and explain the company's transactions, and specifically to disclose, within a reasonable time and with reasonable accuracy, the financial position of the company at any time and allow for financial statements to be prepared.

The accounting records of a company must be kept at the company's registered office or at such other place as the directors deem appropriate.

Where accounting records are maintained outside the Isle of Man, accounts and returns are required, and these are to be kept at a place on the Island and available for inspection by officers of the company.

Accounting records must be kept by the company for a minimum period of six years from the end of the financial year to which they relate.

### ANNUAL ACCOUNTS

Under the requirements of the Manx Companies Acts, the director(s) of a company is/ are required to prepare annual accounts.

### DIRECTORS REPORTS

The director(s) of a company must provide with each balance sheet a report indicating:

- The state of the company's affairs
- The amount, if any, which they recommend should be paid by way of dividend
- The amount, if any, which they propose to carry to reserves.

The report is also required to indicate any changes, during the financial year, in the nature of the company's business activities.

## AUDITORS

Ordinarily, a company is required to appoint an auditor and under normal circumstances the appointment will run from one annual general meeting until the next. An auditor must be a member of a recognised accounting body. The island's professional community embraces the UK's and International Accounting and Auditing Standards.

## AUDIT EXEMPTION REGULATIONS

A Manx resident company which is classified as an 'Audit Exempt Company' may, by provision within its Articles of Association, elect to dispense with the requirements to have its accounts audited. Under new rules which came into force in April 2006, companies may be exempt from auditing procedures provided that two of the following criteria are met:

- That the annual turnover is below £5.6 million
- Balance sheet turnover is £2.8 million or less
- The company has fewer than 50 employees
- Or throughout the year, all its members are directors and it exists wholly for the purpose of holding shares, securities, other investments or land.

## DORMANT COMPANIES

A company which has been 'dormant', i.e. one which has not undertaken any significant accounting transaction since its incorporation or the end of its previous financial year, may pass a special resolution (by a minimum of 75% of the company's members) exempting itself from the requirement to appoint any auditors. A significant accounting transaction, for these purposes, is any transaction which is required to be entered into a company's accounting records. In practice, only private companies which are not engaged in banking, insurance or investments business may resolve not to appoint auditors; other companies, even if they are dormant, are still required to produce audited accounts.

## PUBLICATION OF FINANCIAL STATEMENTS

There is no statutory requirement within the Isle of Man for a private company to file its annual accounts. However, a Manx public limited company is required to submit to the Registrar of Companies each year a copy of its accounts with its annual return.

## 8 – UHY REPRESENTATION IN THE ISLE OF MAN

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UHY CROSSLEYS LLC  
PO Box 1  
Portland House  
Station Road  
Ballasalla  
Isle of Man, IM99 6AB  
British Isles

Phone +44 (0) 1624 822816  
Fax +44 (0) 1624 824570  
Contact Andrew Pennington  
Email [apennington@crossleys.com](mailto:apennington@crossleys.com)

For more information on UHY Crossleys LLC and our people and services please see our website: [www.crossleys.com](http://www.crossleys.com).

**APPENDIX I - TAXES**

The Minister for the Treasury announced the following tax rates and allowances to take effect from 6 April 2015:

PERSONAL ALLOWANCES	£
Single person	10,500
Married couple (combined)	21,000
Single parent addition	6,400
Blind person	2,900
Disabled person	2,900
Cohabiting couples maximum addition	6,400
Age allowance (65 or over)	1,000

**INCOME TAX RATES  
INDIVIDUALS**

%

## \* Resident

Single: Standard rate on first £10,500 after using the single person allowance of £10,500 which is taxed at 0%	10
Married: Standard rate on first £21,000 after using the married couple allowance of £21,000 which is taxed at 0%	10
Higher rate on balance	20

\* Non-resident rate on all income 20

A cap of £125,000 on an individual's income tax liability applies, which is doubled for jointly assessed married couples. An election must be made for this cap to apply which will remain in force for a period of 5 years.

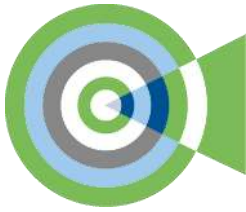


**COMPANIES**

	%
Banking business	10
Land & property (in the Isle of Man)	20
All other income	0
Other non-corporates (i.e. trusts)	20

**TAX THRESHOLDS**

	£
Single person	8,500
Married couple	17,000



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