

ISLE OF MAN

1. GENERAL INFORMATION

- I- Political system
- II- Legal system
- III- Currency and exchange controls
- IV- Economic policy
- V- Financial institutions
- VI- Isle of Man freeport
- VII- Residence/Employment

2. ISLE OF MAN TRUSTS AND COMPANIES

- I- Corporations
- II- Partnerships
- III- Trusts
- IV- Sole traders
- V- Foundations

3. TAXATION SYSTEM

- I- Resident and non-resident companies
- II- Resident and non-resident individuals
- III- Other taxes
- IV- Tax incentives
- V- Advance rulings and anti tax avoidance measures
- VI- Trusts
- VII- Foreign income

4. OFFSHORE COMPANIES

5. BILATERAL TAX AGREEMENTS

Consulate of Italy on the Isle of Man

The Italian Consulate is not present.

Refer to the Italian Consulate in Manchester

Cons. Matteo Corradini

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| | |
|--|--|
| CORPORATE INCOME TAX | |
| Resident companies | 0% - 10% |
| Non-resident companies | 0% - 10%, but only on income from the island |
| Banks | 10% |
| Companies with income from lands and assets on the Isle of Man | 20% |
| WITHHOLDING TAXES | |
| Payment to residents | Not applied |
| Payment to non-residents | Not applied |
| OTHER TAXES | |
| Personal income tax | Residents: 10% - 20% Non-residents: 20% |
| Customs and duties | Same rate as in the UK |
| V.A.T. | 0%, 5%, 20% |
| REGISTRATION TIME | 1 day for shelf companies; 5 days for standard companies |
| REGISTRATION COSTS | £ 100 + £ 2,250 for professional costs |
| ADVANCE RULINGS | Applied |
| BANK SECRECY | Applied but with strict controls by government commissions on banking activity |
| EXCHANGE CONTROLS | Not applied |
| LEGAL SYSTEM | <i>Lex scandinavica</i> and <i>Common Law</i> |
| BILATERAL TAX AGREEMENTS | Signed with 10 countries. TIEAs signed with 40 countries |

1. GENERAL INFORMATION

The Isle of Man is situated at the centre of the British Isles in the middle of the Irish Sea. The town of Douglas is the capital and main sea port of the Isle of Man.

I- Political system

The Isle of Man is an independent territory, with an autonomous government (Government of Manx), placed under the authority of a legislative assembly called "Tynwald", formed by the Council and the House of Keys.

The Lieutenant Governor is the symbol of the Executive and personally represents the Crown. The United Kingdom is, in fact, responsible for the island's defence, foreign policy and international relations (for example, with the EU). In return, the island government pays an annual contribution to the United Kingdom.

In 1970/71 the UK government negotiated a special agreement between the EU and the Isle of Man, structured so as to leave the Isle of Man "in but effectively out" of the EU, while still guaranteeing the advantages of the free movement of agricultural and industrial products.

The UK left the EU on 31 January 2020. As a result, the special relationship with the EU for the Isle of Man has ceased. However, the UK continued to apply EU law during the transition period that ended on 31 December 2020.

The UK had responsibility for the Isle of Man's external relations under the Treaty of Rome but, by way of an amendment, the Isle of Man was effectively excluded from all aspects of the Treaty of Rome other than those relating to the free trade of agriculture and industrial products within the EU. With the exception of the Common External Tariff and certain agricultural levies, the Manx Government retained its right to determine and collect its own taxes.

The administration of the various functions of government in the Isle of Man (eg finance, health services, social security, education, highways and transport, tourism, local government, airports, harbours, agriculture, etc) is carried out by the 9 Departments that are each responsible to Tynwald for carrying out their particular statutory duties and implementing government policy as it affects each of them.

II- Legal system

The origins of Manx law are to be found in the Kingdom of Man and the Isles established by the Norse in the tenth century under the general suzerainty of the Kings of Norway which lasted until 1266 when the Isle of Man was ceded by Norway to Scotland.

The ancient customary law of the Isle of Man derives from the Scandinavian period of its history.

Since 1333, ultimate control of the Isle of Man has rested with England and, since 1765 when the island was purchased by the Crown, the English Crown has had direct responsibility for the island's government. Since 1765 English influence on Manx law, directly and indirectly, has been overwhelming so that today little trace of the ancient customary law still remains.

The Isle of Man is subject to 2 Legislatures: *Tynwald* which derives from the Scandinavian Kingdom and Parliament.

In practice, Tynwald legislates for all matters excepting only those that remain the responsibility of the UK. These include the armed forces, extradition, immigration and citizenship, civil aviation and some aspects of merchant shipping and sea fisheries.

Apart from the legislation enacted by Tynwald and Parliament, there are several other sources of present day Manx law. There remain a few traces of ancient customary or unwritten law derived from the Scandinavian period in relation to the ownership of land.

The most important source of Manx law, apart from legislation, is English common law and equity, even if the decisions of the English court are not formally binding on the Manx courts

(excepting only the decisions of the Privy Council which is the final court of appeal for the Isle of Man).

In addition, many other international conventions have a direct effect on Manx law, in that they have been implemented by Acts of Tynwald and in some cases by Acts of Parliament extending to the Isle of Man.

III- Currency and exchange controls

The currency of the Isle of Man is the pound sterling. There are no exchange control restrictions.

IV- Economic policy

The economy of the Isle of Man was traditionally based on agriculture and fisheries.

The foundations of the Isle of Man's tourist industry were laid in the latter part of the nineteenth century and developed to become a dominant factor in the economy of the Isle of Man.

In the early 1960s, the Isle of Man Government adopted a policy of low direct taxation supplemented by incentives of grants and cheap loans for new industries. At the same time, it was recognised that there was an urgent need to develop manufacturing industry. Since its inception, the policy has achieved some notable successes, particularly in the field of light engineering.

Shipping was identified by the Isle of Man Government as being an area of new business that the island was well-suited to develop. Accordingly, the Government, in consultation with the UK Government, embarked upon a program of legislation designed to facilitate the establishment of ship management companies in the island and develop the island's register of ships.

The creation of new industries and businesses is encouraged by government grants, provided that certain criteria are met.

The Isle of Man is included in the common travel area of the British Isles within which there is freedom of travel for all. There is usually no immigration control at the Isle of Man's sea and air ports for travellers between the Isle of Man and the UK, Ireland and the Channel Islands. Nor is there any restriction on British citizens from moving to the Isle of Man to take up residence. However, such a person wishing to take up employment or self-employment in the island may be required to obtain a work permit.

V – Financial institutions

The Isle of Man Government is committed to encouraging the development of the Isle of Man as a reputable centre for a wide variety of financial services.

Government regulation of the Isle of Man's financial services sector is exercised through the Financial Services Authority, which is under the general direction of the government Treasury.

The Financial Services Authority is responsible for the licensing and supervision of banks, building societies, investment businesses, corporate and trustee service providers (CSPs and TSPs).

In assessing suitability, the Financial Services Authority carefully considers the nature of the proposed business, the status of the parent company, sufficiency of financial resources, quality of management personnel and the adequacy of the systems and controls necessary to run the business.

The Financial Services Act 2008 now regulates this area of activity. Under the Act, all CSPs and TSPs must be issued a licence by the Financial Services Authority before commencing business on the island.

Through regulation, the Financial Services Authority requires that its licence holders know their customers.

The activities of the Financial Services Authority are intended to ensure that the Isle of Man is a well-regulated centre whose customers are assured of safety for their investments and a high standard of professional service.

VI- Isle of Man freeport

Europe's first and only offshore freeport, the Isle of Man Freeport is adjacent to the Isle of Man's airport. It is an enclosed secure area which the Customs Authorities treat as being outside the home territory where goods can be manufactured, processed and stored.

Imports and exports may be effected "directly" through the United Kingdom and European Union countries by means of established transshipment arrangements.

Goods imported into the Freeport area may remain indefinitely without incurring import duty, value added tax or any other levies. No quota restrictions apply while the goods remain within the Freeport area.

The Freeport has enjoyed considerable success since its development was passed to a private company in 1986. The accommodation and support services that are provided are of a high quality. As a Freeport in an offshore jurisdiction, it is unique.

VII - Residence/employment

Persons taking up residence in the Isle of Man should, on their arrival, immediately ask for work permits, if they intend commencing employment or self-employment in the Isle of Man, and send appropriate communication to the Assessor of Income Tax.

Under the provisions of the Control of Employment Acts, any person who is not an Isle of Man worker must obtain a work permit before commencing employment or self-employment, except in the following cases: police, doctors, dentists and ministers of religion.

An Isle of Man worker is a person who was born in the Isle of Man, has at any time been ordinarily resident in the Isle of Man for a period of not less than 10 consecutive years, is married to or in a civil partnership with a person who is qualified as an Isle of Man worker, is a person, one of whose parents was born in the Isle of Man, and was ordinarily resident in the Isle of Man for the five consecutive years immediately following his or her birth on the Isle of Man, or has, during a period in which he or she was ordinarily resident in the Isle of Man, been receiving full-time education, whether in the Isle of Man or elsewhere.

Immigration legislation in the Isle of Man is similar to that of the UK and applies to nearly every person who is not a British citizen or does not have the right of abode in the UK.

2. ISLE OF MAN TRUSTS AND COMPANIES

| BUSINESS ENTITY | MAIN TRAITS | FORMATION | GOVERNANCE |
|--|--|--|---|
| <i>Companies incorporated under Companies Act 1931 to 2004</i> | <p>Companies in the Isle of Man may be incorporated under either the Companies Acts 1931 to 2004 or the Companies Act 2006.</p> <p>There are several types of company that may be formed:</p> <ul style="list-style-type: none"> • Limited and unlimited companies (company limited by shares, company limited by guarantee and unlimited company) • Private and public companies • Limited liability companies | <p>Formation is achieved by filing certain documents with the island's Registrar of Companies (memorandum of association, articles of association, and a statement containing the names and relevant particulars of directors and secretaries)</p> | <p>A company is required to have at least 2 directors (who must be individuals) and a secretary. There are no restrictions as to their residence or nationality status.</p> |

| BUSINESS ENTITY | MAIN TRAITS | FORMATION | GOVERNANCE |
|--|--|--|---|
| <i>Companies incorporated under Companies Act 2006</i> | <p>A 2006 Act company is a legal entity in its own right, separate from its members and continues in existence until it is dissolved, in much the same way as a 1931 Act company.</p> <p>A 2006 Act company can be incorporated, registered or continued under the Act as company limited by shares, company limited by guarantee, company limited by shares and by guarantee, unlimited company without shares, or unlimited company with shares.</p> | Every 2006 Act company is required to have a registered office address and a registered agent in the Isle of Man. | A 2006 Act company is permitted to have a single director which may be an individual or a corporate entity. |
| <i>Trusts</i> | <p>The main body of Manx law dealing with trusts is set out in the Isle of Man's Trustee Act 1961 which is based upon the United Kingdom's Trustee Act 1925. The Trustee Act 1961 contains extensive provisions relating to:</p> <p>(1) investments (2) general powers of trustees and personal representatives (3) appointment and discharge of trustees, and (4) powers of the Court.</p> | It is usual for a trust to be created by means either of a trust deed entered into by settlor and trustee or by declaration made by the trustees. | There are no rules as to the management of private trusts in the Isle of Man other than those laid down in the trust deed or declaration. |
| <i>Partnerships and limited partnerships</i> | There is normally no limit to a partner's personal liability for the liabilities of the partnership unless the partner's liability is limited in accordance with the terms of the Partnership Act 1909. | There is no requirement in the Isle of Man for partnership agreements or the financial accounts of partnerships to be filed at the General Registry. | |
| <i>Sole traders</i> | A sole trader is required to be registered at the General Registry under the Registration of Business Names Acts 1918 and 1954. | | |
| <i>Foundations</i> | As a foundation is an incorporated entity, it may trade under its own name. | Establishing a foundation requires the registration by the registered agent and the submission of the publicly available foundation instrument. | The key roles for the administration of a foundation are: a founder, a registered agent, the council, an enforcer, and beneficiaries |

The most common forms of legal entities used in the Isle of Man for commercial operations include:

- companies incorporated under the Companies Acts 1931 to 2004 or the Companies Act 2006
- companies incorporated elsewhere
- partnerships and limited partnerships
- sole traders
- trusts
- foundations.

I- Corporations

Companies in the Isle of Man may be incorporated under either:

(1) the Companies Acts 1931 to 2004, or

(2) the Companies Act 2006.

It is important to note that the 2 bodies of legislation are quite separate and distinct and offer very different forms of company.

Companies incorporated outside the Isle of Man and wishing to establish a place of business in the Isle of Man are required to be registered under the Foreign Companies Act 2014.

Pursuant to the Companies Acts 1931 to 2004 and 2006, companies can be established as:

- public companies;
- private companies;
- companies limited by shares;
- companies limited by guarantee;
- unlimited companies.

Companies formed under Companies Acts 1931 to 2004

The incorporation of a company is achieved by filing the following documents with the Registrar of Companies:

- the memorandum of association, signed by at least 2 subscribers in the presence of at least one witness
- the articles of association, signed by each subscriber to the memorandum in the presence of at least one witness
- a statement in the prescribed form containing the names and relevant particulars of the directors and secretary/secretaries of the company, signed by the subscribers of the memorandum and containing a consent signed by directors and secretaries;
- the registered office address.

In the case of a company having a share capital the memorandum must, unless the company is an unlimited company, state the amount of share capital with which the company proposes to be registered and the division thereof into shares of a fixed amount.

In the ordinary course, there is no requirement for the name(s) of the beneficial owner(s) of a company to be disclosed to the Registrar.

In the event that a company is being incorporated to carry on banking business, investment business or insurance business, details of its ownership must be disclosed to the Financial Services Authority.

Exceptionally, a company could be incorporated within one day. However, it would be prudent to allow one week to obtain approval of the proposed name, to complete and file the required documents, and for the Registrar to issue the certificate of incorporation.

The fees that are required to be paid to the Chief Registrar on incorporation from January 2014 by a company having a share capital are as follows:

| | |
|---|-------|
| Standard formation of a company within 48 hours | 100 £ |
| 2-hour formation of a company | 250 £ |
| “While-you-wait” incorporation of a company | 500 £ |

There is no prohibition or restriction upon the formation of companies that may remain dormant for unspecified periods of time after incorporation.

A company is required to file an annual return with the Registrar of Companies. From 2014 all employers are required to submit their annual returns online. In the case of a company limited by shares, the annual return requires details of shares issued, directors, members and the company secretary. A public company is required to file a copy of its annual accounts with its annual return.

The filing fee for an annual return submitted on time (ie within one calendar month of the due date for its completion) is £380. If filed later than one calendar month after the due date, fees from 480 £ and 630 £ are payable.

A company incorporated outside the Isle of Man that establishes a place of business within the island or holds land in the island, is required within one month to deliver the following details to the Registrar of Companies for registration:

- the name and number of the company upon incorporation, and
- the date and jurisdiction of incorporation.

The shares issued by a company must not exceed those authorised by the memorandum of association of the company.

The shares authorised by the memorandum of association of a company may be split in different classes with different voting rights and different rights as regards participation in profits.

The full amount of the authorised share capital does not have to be issued. It is permissible to issue shares that are only partly paid.

A company is required to have at least 2 directors who must be individuals.

There are no restrictions as to the residence or nationality status of the secretary of a company. However, a secretary of a company may be required to hold a work permit issued under the terms of the Isle of Man’s Control of Employment Acts.

Any change in the secretary of a company must be notified to the Registrar of Companies in the prescribed form within a month of the change taking place.

A company is required to have a secretary. There are no restrictions as to the residence or nationality status of the secretary of a company. However, a secretary of a company may be required to hold a work permit issued under the terms of the Isle of Man’s Control of Employment Acts.

A person does not have to hold any particular qualification before being appointed the secretary of a private company. Such a secretary may be a corporate body. In the case of a public company, the directors must appoint a person as secretary who, in their opinion, has adequate knowledge and experience of the duties and responsibilities of a company secretary and who for at least 3 of the 5 years immediately preceding the appointment has held the office of secretary of a public company, or is an advocate or a chartered accountant.

Any change in the secretary of a company must be notified to the Registrar of Companies in the prescribed form within a month of the change taking place.

The intended location of a company’s registered office is required to be notified to the Registrar prior to the incorporation of the company and the company is required to notify the Registrar in the prescribed form within one month of the change.

Each company incorporated in the Isle of Man is required to keep at its registered office:

- the register of members
- the common seal, whether at the registered office or elsewhere in the island

- copies of instruments creating charges and the register of charges
- the book(s) containing the minutes of proceedings of general meetings of the company, and
- the register of directors and secretaries.

The accounting records must be kept either at the registered office of the company or at such other place as the directors of the company think fit and must always show and explain the company's transactions.

The directors of a company are required to cause audited accounts to be prepared and presented to the company at the general meeting for a period no longer than 18 months from the date of incorporation of the company, and at least once in every calendar year thereafter. In addition, a report by the directors must be attached to every balance sheet laid before a company at the general meeting.

The auditor of a company must be a member of an institute of chartered accountants or directly authorised by the Treasury. The auditor of a company must not be an officer or servant of the company, except where the company is a private company.

The auditor of a company is required to make a report to the members of the company on the accounts examined by the auditor and on every balance sheet, profit and loss account. The auditor's report is required to be read before the company at the general meeting and to be open to inspection by any member.

The auditor's report must state whether, the company's balance sheet, profit and loss account (group accounts, if the company is a holding company) have been prepared in accordance with the provisions of the Companies Acts 1931 to 2004.

The audit exemption levels allow a company to be audit exempt if it meets 2 of the following criteria:

- its annual turnover is £5.6 million or less
- its balance sheet total is £2.8 million or less, or
- it employs less than 50 persons.

Every company is required to hold a general meeting at least once in every calendar year, not more than 15 months after the holding of the previous general meeting.

The directors of a company may choose the date of the company's financial year end.

Companies incorporated under *Companies Act 2006*

The Isle of Man Companies Act 2006 came into force on 1 November 2006, providing a simplified corporate vehicle. Companies incorporated under this Act (2006 Act companies) follow the familiar international business company model found in many offshore jurisdictions. The Act dispenses with a number of the traditional company law formalities.

Some key features of 2006 Act companies include:

- no requirement for authorised share capital
- no capital maintenance requirements (subject to satisfaction of a solvency test)
- no prohibition of financial assistance
- reduced compulsory registry filings and less prescriptive accountancy requirements
- no distinction between public and private and simplified offering document requirements
- ability to have single directors and corporate directors (restrictions apply), and
- no requirement to hold AGM's
- ability to transfer domicile, re-register, merger and consolidate.

Every 2006 Act company is required to have a registered office address and a registered agent in the Isle of Man. Only registered agents are permitted to incorporate 2006 Act companies by submitting to the Registrar of Companies the proposed Memorandum of Association. On receipt, the Registrar will register the company documents, allot a registration number and issue a certificate of incorporation.

A 2006 Act company must also retain invoices or contracts, etc, that are necessary to allow the company to document all sums of money received and expended and details of such transactions, all sales and purchases, and the assets and liabilities of the company.

The provisions relating to shares and share capital in the Act are more relaxed than the equivalent provisions applying to 1931 Act companies.

The Act provides that shares in a company may be convertible (common or ordinary), redeemable (at the option of the shareholder or the company or either of them), confer preferential rights to distributions and special, limited or conditional rights, including voting rights, and/or entitle participation only in certain assets.

There are reduced compulsory registry filings under the Act, in comparison with 1931 Act companies. However, 2006 Act companies are still required to file with the Registrar the memorandum and articles of association and any amendment made to them, annual returns, any charges which it creates and any variation or release to those charges, applications and filings in respect of dissolution, restoration or winding up, and any applications or filings in respect of re-registration, merger, consolidation arrangement, transfer of domicile and conversion to a protected cell company.

Re-registration of a 1931 Act company as a 2006 Act company

The Act provides for a 1931 Act company to re-register as a 2006 Act company under the type that most closely relates to the type it is incorporated as under the Companies Acts 1931 to 2004.

The re-registration procedure is relatively simple. The first registered agent of the company makes an application to the Registrar to re-register the 1931 Act company as a 2006 Act company. The application must be approved by the members of the 1931 Act company and must be accompanied by the new memorandum and articles of association to be adopted as a 2006 Act company.

The Act expressly provides that the re-registration of a 1931 Act company as a 2006 Act company will not be deemed to operate to create a new legal entity, or prejudice or affect the continuity of the company.

The chart below compares the features of 1931 Act companies with those of 2006 Act companies.

| | <i>1931 Act companies</i> | <i>2006 Act companies</i> |
|--|---|---|
| <i>Government incorporation fees (from 6 April 2010)</i> | Minimum fee £195 (additional capital duty payable on capital over £2,000) | Flat fee of £ 195 |
| <i>Annual government filing fee</i> | £ 360 for filing an annual return | £ 360 for filing an annual return |
| <i>Income tax rates</i> | Standard corporate income tax: 0% | Standard corporate income tax: 0% |
| <i>Who can incorporate a company?</i> | Isle of Man resident persons | Isle of Man registered agent |
| <i>Minimum number of directors</i> | 2 | 1 |
| <i>Company secretary required</i> | Yes | No |
| <i>Minimum number of shareholders</i> | 1 if a private company limited by shares or guarantee, otherwise 2 | 1 |
| <i>Annual accounts required</i> | Yes | No * |
| <i>Audit required</i> | Yes, subject to certain exceptions | No |
| <i>Annual return</i> | Yes, detailed information required | Yes, minimal information |
| <i>Register of directors and of members</i> | Open to the public | Not open to the public unless the option to file is elected |

* A 2006 Act company is simply required to keep reliable accounting records

II- Partnerships

Partnerships in the Isle of Man are governed by the island's Partnership Act 1909 which is based upon the United Kingdom's Partnership Act 1890 and the United Kingdom's Limited Partnership Act 1907.

There is normally no limit to a partner's personal liability for the liabilities of the partnership unless the partner's liability is limited in accordance with the terms of the Partnership Act 1909.

Under the terms of the Isle of Man's Registration of Business Names Acts 1918 and 1954, partnership names are requested 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 filed at the General Registry.

A return of a partnership's income must be submitted to the Assessor of Income Tax by any one of the partners each year. The share of profits or losses that a partner derives from the business of the partnership is shown in the respective returns of income and the amount of the trading profits is assessed on the respective partners and taxed according to personal income tax rates.

III – Trusts

The main body of Manx law dealing with trusts is set out in the Isle of Man's Trustee Act 1961 - based upon the United Kingdom's Trustee Act 1925 - which contains extensive provisions relating to:

1. investments
2. general powers of trustees and personal representatives
3. appointment and discharge of trustees, and
4. powers of the Court.

The Manx legislation in respect of settled land is contained in the Settled Land Acts 1891 and 1983, while the Isle of Man Perpetuities and Accumulations Act 1968 provides only for perpetuities.

In the absence of any provisions to the contrary, it is presumed that there is no limitation on accumulations under a trust.

Charitable trusts in the Isle of Man are governed by several Acts of Tynwald including the Public Charities Act 1922, the Charities Act 1962 and the Charities Act 1986.

Manx wills are governed by the Wills Act 1985.

It is usual for a trust to be created by means either of a trust deed entered into by settlor and trustee or by declaration made by the trustees. The objects and terms of the trust are stated in the trust deed or the declaration of trust.

There is no requirement in the Isle of Man for settlements inter vivos to be registered with any public authority on the island unless they involve Manx real estate.

There are no capital requirements in respect of trusts, unless the trust is to be a unit trust authorised as a collective investment scheme by the Financial Services Authority under the Financial Services Act 2008 and the Collective Investment Schemes Act 2008.

There are no rules as to beneficiaries in the Isle of Man other than those laid down in each trust deed or declaration of trust.

Rules concerning the management of private trusts in the Isle of Man are laid down in the trust deed or declaration. There are special rules in respect of unit trusts authorised as collective investment schemes under the Collective Investment Schemes Act 2008.

A trust is regarded as resident in the Isle of Man for the purposes of Manx income tax if the central management and control actually abides in the island. However, as a general rule, the Assessor does not assess trust income that arises outside the Isle of Man that "belongs" to a beneficiary or beneficiaries who do not reside in the Isle of Man.

Where there is a liability to Manx income tax, the trustees are required to make the appropriate returns of income to the Assessor of Income Tax each year.

IV- Sole traders

A sole trader who has a place of business in the Isle of Man and carries on the business under a business name which does not consist of the sole trader's true surname, is required to be registered at the General Registry under the Registration of Business Names Acts 1918 and 1954.

The profits that a sole trader derives from their trade, profession or vocation form part of their total income for Manx income tax purposes. The amounts of the sole trader's profits or losses and the manner of their computation each year are, therefore, required to be shown in the return of income that the sole trader makes to the Assessor of Income Tax each year.

V – Foundations

The Foundations Act 2011 came into force on 1 January 2012 and provides for the establishment of foundations. Foundations are an alternative to trusts as vehicles for holding assets.

They allow the entity to have a separate legal personality. They can sue and be sued.

The founder is not personally liable for any debts, but still controls the objectives and the administration of the foundation. Unlike a trust, which has a limited life span, a foundation may exist in perpetuity.

The registration is done by the registered agent with the Companies Registrar and it has to include: the proposed foundation name (which must contain the word "foundation"), its objects, the names and residential addresses of the members of its council and the name and business address in the Island of the registered agent of the foundation.

Moreover, the following must be filed: the publicly available foundation instrument (comparable to a company's Memorandum of Association) which sets out the name of the foundation, its objects and the members of its council, a completed application form and the payment of the application fee.

The key roles for the administration of a foundation are: a founder, who establishes the trust and instructs the "registered agent" to apply for registration, a registered agent, who may be a natural person or a corporate service provider, and may also be a member of the foundation's council, the council, which deals with the general management of the foundation (comparable to a company's board of directors), including the preparation of an annual return and the keeping of accounting records, an enforcer, required only where an object of a foundation is to carry out a specified non-charitable purpose, beneficiaries, required only where an object of the foundation is to provide a benefit to a person or to a class of persons. If a foundation's sole object is to hold assets, beneficiaries are not required.

A foundation must make an annual return to the Companies Registrar and maintain reliable accounting records, which should be retained at the registered business address for a period of six years from the end of the accounting period to which they relate.

3. TAXATION SYSTEM

Every person who has a liability to Manx income tax is required to make a return of their total income each year to the Assessor of Income Tax.

The direct taxes that the Isle of Man does not charge comprise the most distinctive feature of its system of direct taxation. There are:

- no rates of tax on income exceeding 20%
- no rates of corporate income tax exceeding 20% (0% in most cases)
- no death, inheritance or estate duty
- no capital transfer or gift tax
- no wealth tax or similar capital levy
- no capital gains tax

- no stamp duties.

The main body of Isle of Man income tax law is set out in the Income Tax Acts 1970 to 2011, which are aided by subordinate legislation in the form of Orders, Regulations and Extra Statutory Concessions.

All companies incorporated in the Isle of Man are deemed to be resident there.

A company incorporated elsewhere may be held to reside in the Isle of Man if its management and control actually abides there.

I- Resident and non-resident companies

The standard rate of tax for companies in the Isle of Man is 0% (“the standard rate”). The standard rate generally applies to all forms of income received by all companies, with 3 exceptions:

- licensed banks are taxed at a rate of 10% on income from their banking business (income not derived from their banking business is taxed at the standard rate)
- income received by companies that is derived from land and property in the Isle of Man is taxed at a rate of 20%, eg income arising from rental, mineral extraction and property development activities, and
- retail companies with more than £500,000 taxable income are taxed at a rate of 10%.

The taxation of non-resident companies follows that of resident companies, but the scope of taxation is limited to Isle of Man source income.

Subject to commencement and cessation provisions, with effect from 6 April 2007, companies in the Isle of Man are taxed from a year of assessment basis to an accounting period basis.

There are no taxes on capital.

A first year allowance of 100% is available in respect of qualifying expenditure on machinery and plant, other than motorcars.

The taxation of non-resident companies follows that of resident companies, but the scope of taxation is limited to Isle of Man source income.

Withholding taxes

The Assessor of Income Tax may require a company to deduct income tax from payments made to non-residents in respect of dividends, interest, share of profits and remuneration of directors.

However, such payments made by exempt insurance companies, exempt companies, international tax companies, and exempt managed banks are likely to be excluded from liability to Manx non-resident tax.

Dividends paid from income subject to tax at 10% carry a 10% tax credit. This tax credit is non-refundable where the recipient is a non-resident company or individual. However, no withholding taxes apply.

II – Resident and non-resident individuals

Every person who has a liability to Manx income tax is required to make a return of their total income each year to the Assessor of Income Tax. This includes both:

- persons residing in the Isle of Man
- persons not residing in the Isle of Man who derive income from sources within the island.

The following rates of tax apply for 2022–23:

| | |
|--|-----|
| Standard rate Charged on the taxable income of individuals up to a limit of: - single: the first £ 6,500 - married person/civil partnership: the first £ 13,000 | 10% |
| Higher rate | |

| | |
|---|-----|
| This rate is charged on the taxable income of individuals exceeding the standard rate thresholds and also on the whole of the taxable income of trusts and resident non-exempt companies. | 20% |
| Non-resident rate | 20% |

The 20% rate is charged on all income arising in the Isle of Man to a non-resident person. Exceptions include bank interest, building society interest and dividends received from listed companies.

A person assessed in default who wishes to have the assessment revised must either make and deliver the return to the Assessor within 30 days of the date of issue of the default assessment or apply to the Assessor for an extension of time in which to make and deliver the return.

For personal returns there is a £100 penalty if the return is not filed by 6 October following the end of the tax year, increasing to £200 if not filed by the following 6 April. (The Isle of Man tax year runs from 6 April to the following 5 April). For company returns there is a £250 penalty if the return is not filed within 12 months and one day following the end of an accounting period, increasing to £750 after an additional 6 months.

Taxable income is worldwide income less permitted deductions such as interest paid and personal allowances.

The personal allowances for 2022/2023 are the following:

| | |
|---|----------|
| single person | £ 14,500 |
| married couple/civil partnership (combined allowance) | £ 29,000 |
| single parent (entitled to one-parent benefit) or cohabiting couple | £ 6,400 |
| registered blind person (additional allowance and disabled person allowance) | £ 2,900 |

A form of pay-as-you-earn known as income tax instalment payments (ITIP) is applied against earnings received from employments. The weekly or monthly deduction is calculated by the employer using a special code based upon the individual's allowable deductions and allowances.

Withholding taxes

All companies are required to deduct non-resident income tax from dividends, interest, share of profits and remuneration of directors, stating it in the annual income tax return form. If such payments are made by exempt insurance companies, exempt companies, international tax companies, and exempt managed banks, they are likely to be excluded from liability to non-resident tax.

In addition, the following payments to non-resident persons can be made without deduction of tax at source nor taxes: interest paid by banks, dividends paid by investment companies listed by the Treasury and interest paid on shares, deposits and loans by building societies.

III- Other taxes

Customs duties, excise taxes and value added tax

The imposition and administration of the Isle of Man's customs and excise duties and value added tax are the subjects of a customs and excise agreement between the UK Government and the Isle of Man Government. With regard to customs duties, excise duties and VAT, the same provisions and rates apply as in the United Kingdom, with the exception of the tax on online betting, the VAT on jackpots placed inside the island's casino and a particular reduction applied to each liter of fuel.

As a result, there are no customs barriers between the UK and the Isle of Man.

Any change in duties or VAT introduced in the United Kingdom is generally introduced on the island as well.

The value added tax rates are shown in the following table:

| | |
|------------------------------------|-----|
| Standard rate | 20% |
| Reduced rate – fuel and power | 5% |
| Reduced rate – hotel accommodation | 5% |
| Domestic property repairs | 5% |

Other taxes:

| | |
|--|------|
| Air passenger duty | £13 |
| Online gambling duty: | |
| - on the first £ 20 m per year | 1.5% |
| - on the next £ 20 m per year | 0.5% |
| - on any amount in excess of £ 40 m per year | 0.1% |

These rates also apply to bookmakers.

The Isle of Man received a special treatment according to Protocol 3 of the Act of Accession annexed to the Treaty of Accession 1972, by which the UK became a member of the EEC. The UK left the EU on 31 January 2020. As a result, the special relationship with the EU for the Isle of Man has ceased. However, the UK continued to apply EU law during the transition period that ended on 31 December 2020.

The rates of the main indirect taxes in the Isle of Man are similar to those in the UK. The current standard rate of VAT is 20%.

A reduced VAT rate of 5% applies to accommodation provided by hotels and similar establishments in the Isle of Man. This also includes the provision of holiday accommodation and the letting of camping sites and caravan parks (including the pitch rental). It does not, however, include the provision of time-share accommodation.

Social contributions

National insurance contributions are made by employers, employees and self- and non-employed persons in the Isle of Man. The rates and the amounts of the contributions are generally kept in line with the comparable contributions that are required to be made in the UK.

From 6 April 2019, a rebate on employee national insurance contributions is available for new residents and returning students for the first 12 months of employment. To benefit, some conditions need to be satisfied, among which the employment is permanent, the employee works a minimum of 35 hours per week, the employment is undertaken in the Isle of Man, the employment provides a minimum annual gross salary of £21,000 (not applicable to returning students) and the employment carries on for a minimum of 12 months.

Tax on real estate

There is attributed to houses and buildings in the Isle of Man a gross annual value which is deemed to be the notional annual rent that might be charged for the property.

The gross annual value is reduced by one-fifth to give the net annual value.

The amount of the rates due and payable is calculated at the appropriate percentage rates of the net annual value.

Vehicles and driving licence

Motor vehicle licence duty based on engine capacity is payable each year in respect of vehicles registered in the Isle of Man.

IV- Tax incentives

Temporary income tax exemption for certain industrial or land development undertakings

The Isle of Man Treasury may, after consultation with the Department of Industry, exempt for a period of up to 5 years the whole or part of the profits or income of any industrial or land development undertakings from liability to income tax.

The Treasury may only exercise this power to exempt if it is satisfied that such an exercise:

- is in the interests of the economy of the island
- is necessary for the purposes of establishing or developing any industrial or other eligible business undertaking in the Isle of Man, and
- will enable the undertaking to provide additional productive employment in the island.

Allowable payments made by individuals for income tax purposes

Payments made by individuals to approved pension schemes or personal pension arrangements are allowed as deductions from the relevant earnings.

In addition, payments made by individuals in respect of: interest, maintenance paid by one party to a marriage or civil partnership to or for the benefit and maintenance of the other party or a child of the family under an order of the Court or a written agreement, covenanted payments to charities, educational covenanted payments to students up to a maximum of £4,500 each year for each donee, as long as they conform with the criteria laid down in the Income Tax (Deductions) (Prescribed Cases) Order 1989.

Personal allowance for income tax purposes

An individual person residing in the Isle of Man may claim certain personal allowances (for single persons, married couple/civil partnerships, single parents, blind persons). The total amount of the individual's personal allowances are deducted from their "total income" for income tax purposes each year in the computation of their "taxable income".

The film industry

The Isle of Man Government is actively seeking to develop a film industry on the island, making available attractive tax incentives both for companies and individuals wishing to use the island as a location and production base.

V- Advance rulings and anti tax avoidance measures

In practice, the Assessor is normally prepared to confirm the manner in which they consider a transaction should be dealt with for the purposes of Manx income tax even before the transaction is entered into.

The anti-avoidance provisions are designed to combat the avoidance of Manx income tax by Manx residents.

If the Assessor is of the opinion that the main purpose of any transaction effected is the avoidance or reduction of the liability to income tax, the Assessor may make such assessment or counter-assessment.

VI- Taxation of trusts

It is the practice of the Income Tax Assessor in relation to trust income to charge all trust income which persons residing in the Isle of Man enjoy or have the power to enjoy or to which they are or may be beneficially entitled, and exclude from liability to Manx income tax all trust income arising or accruing outside the Isle of Man, together with local bank interest, building society interest and certain investment company dividends, beneficially owned by persons not residing in the island.

Accordingly, the trustees of a Manx trust in which the beneficiaries do not reside in the island and all the income are not charged to Manx income tax.

Non-resident beneficiaries cannot be liable to Manx income tax in respect of income arising or accruing outside the Isle of Man.

VII- Taxation of foreign income

Persons, including individuals and companies, residing in the Isle of Man are liable to Manx resident income tax in respect of the gross amounts of any foreign source income that they receive. There is no tax on capital gains in the Isle of Man, whether the gains arise locally or elsewhere.

The double taxation relief that is available to persons residing in the Isle of Man in respect of taxed foreign income, other than United Kingdom source income, is granted unilaterally by the Isle of Man Government.

The amount of the double taxation relief available in respect of the foreign source income is deducted from the total liability to Manx income tax to produce the amount of Manx income tax that is payable.

In general terms, it may be said that foreign source income bearing tax in its country of origin at a rate of 20% or more is effectively excluded from the calculation of a Manx resident person's liability to Manx income tax.

4. OFFSHORE COMPANIES

The Isle of Man has developed institutional and legislative frameworks which, together with a policy of low direct taxation, made the island an important IOFC. In more recent years, this development has been continued with the introduction of a zero rate of income tax, and the establishment of regulatory regimes of a high standard, for:

- banks
- investment businesses
- collective investment schemes
- building societies
- insurance companies, and
- corporate and fiduciary service providers,

carrying on business in the Isle of Man.

It is the policy of the Isle of Man Government to sustain and develop as diversified an economy as possible in order not to become entirely reliant on the finance sector for the creation of wealth and the provision of employment opportunities.

5. BILATERAL TAX AGREEMENTS

The Isle of Man has concluded tax treaties with a number of countries which specify the withholding tax rates that apply. Non-treaty withholding tax rates apply when they are lower than the rate specified in the treaty. There is no Isle of Man withholding tax on dividends, interest or royalties paid to non-residents.

The following rates of withholding tax apply to non-resident entities:

| | <i>Dividends</i> | <i>Interest</i> | <i>Royalties</i> |
|-----------------------------|------------------|-----------------|------------------|
| | <i>%</i> | <i>%</i> | <i>%</i> |
| <i>Non-treaty countries</i> | 0 | 0 | 0 |
| <i>Treaty countries</i> | | | |
| Bahrain | 0 | 0 | 0 |
| Estonia | 0 | 0 | 0 |
| Guernsey | 0 | 0 | 0 |
| Jersey | 0 | 0 | 0 |
| Luxembourg | 0 | 0 | 0 |
| Malta | 0 | 0 | 0 |

| | | | |
|----------------|---|---|---|
| Qatar | 0 | 0 | 0 |
| Seychelles | 0 | 0 | 0 |
| Singapore | 0 | 0 | 0 |
| United Kingdom | 0 | 0 | 0 |

The Isle of Man has signed TIEAs with 40 jurisdictions around the world, based on the OECD model convention.