



Isle of Man

Ellan Vannin

AT 4 of 2006

INCOME TAX (AMENDMENT) ACT 2006



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**Isle of Man***Ellan Vannin*

INCOME TAX (AMENDMENT) ACT 2006

<i>Received Royal Assent:</i>	<i>11 July 2006</i>
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<i>Commenced:</i>	<i>See endnotes</i>

AN ACT to introduce a corporate charge; to amend the law relating to the taxation of married couples; to make new provision for a charge on the distributable profits of companies; to change the law relating to the taxation of non-residents; to amend the law relating to the setting of rates of income tax; to make provision with respect to discounts on securities; to make miscellaneous amendments to the Income Tax Acts; and for connected purposes.

PART 1¹

1 [Repealed]²

PART 2 – MARRIED COUPLES

2 **Abolition of automatic aggregation of income**

- (1) [Repeals section 64 of the *Income Tax Act 1970*.]
- (2) The enactments specified in Part 1 of the Schedule are amended in accordance with that Schedule.
- (3) The enactments mentioned in column 1 of Part 2 of the Schedule are repealed to the extent specified in column 3 of that Schedule.
- (4) This section shall have effect in respect of the year of assessment commencing on 6 April 2006 and subsequent years.

3 **Separate treatment**

- (1) [Substitutes section 65 of the *Income Tax Act 1970*.]
- (2) This section shall have effect in respect of the year of assessment commencing on 6 April 2006 and subsequent years.

4 Joint treatment by choice

- (1) [Substitutes sections 65A, 65B, 65C, 65D, 65E, 65F, 65G, 65H, 65I and 65J for sections 65A and 65B of the *Income Tax Act 1970*.]
- (2) This section shall have effect in respect of the year of assessment commencing on 6 April 2006 and subsequent years
- (3) Where immediately before 6 April 2006 —
 - (a) the income of a wife is treated as the income of her husband under section 64 of the 1970 Act (as it then had effect); and
 - (b) no election was made under section 65 (as it then had effect) before 31 December 2005; and
 - (c) the requirements of section 65B(2)(a) of the 1970 Act (inserted by this section) are satisfied in respect of the year of assessment commencing on 6 April 2006,

the husband and wife shall be treated for the purposes of the Income Tax Acts as if they had made a joint treatment election under section 65A of the 1970 Act (inserted by this section) in respect of the year of assessment commencing 6 April 2006.

PART 3 – COMPANIES

5 [Repealed]³

PART 4 – TAXATION OF NON-RESIDENTS

6 Personal allowances: non-residents

- (1) [Inserts sections 35C, 35D and 35E in the *Income Tax Act 1970*.]
- (2) [Inserts section 11A in the *Income Tax Act 1970*.]
- (3) [Repeals section 12 of the *Income Tax (Amendment) Act 2004*.]
- (4) This section shall have effect in respect of the year of assessment commencing on 6 April 2006 and subsequent years.

PART 5 – RATES OF INCOME TAX

7 Rates of income tax

- (1) [Amends section 1 of the *Income Tax Act 1970* by substituting subsections (2), (2A), (3), (3A), (3B), (3C), (3D) and (3E) for subsections (2), (2A) and (3).]
- (2)

- (a) [Amends the *Income Tax Act 1970* as follows: paragraph (a) substitutes in section 2H(10) the expression ‘rate prescribed for the purposes of this section under section 1 of this Act’ for the words ‘higher rate’;]
 - (b) [Repealed]⁴
 - (c) [Substitutes in section A108(1) the expression ‘less than the rate prescribed for the purposes of this section under section 1 of this Act’ for the expression ‘less than the higher rate determined under section 1(2A) of the 1970 Act for the purposes of section 1(2)(b) of that Act’.]
- (3) [Paragraph (a) repeals section 1A of the *Income Tax Act 1970*; paragraph (b) repeals section 1(1) of the *Income Tax (Amendment) Act 1988*; paragraph (c) repeals section 4 of, and paragraph 1 of the Schedule to, the *Income Tax Act 2000*; and paragraph (d) repeals section 23 of the *Income Tax Act 2003*.]
 - (4) This section shall have effect in respect of the year of assessment commencing on 6 April in such year as may be specified in an order made by the Treasury and subsequent years.
 - (5) An order under subsection (4) may specify the year of assessment in which the order is made and this section shall accordingly have effect in respect of the whole of the specified year of assessment.

PART 6 – DISCOUNTS, ETC.

8 Discounts, etc. on securities

- (1) [Amends the *Income Tax Act 1970* by inserting sections 2Q, 2R, 2S, 2T, 2U, 2V, 2W, 2X, 2Y and 2Z.]
- (2) This Part shall have effect in respect of the year of assessment commencing on 6 April 2005 and subsequent years in respect of any profit from the discount on a relevant discounted security realised on or after 6 April 2005.

PART 7 – MISCELLANEOUS

9 Confirmation of orders

- (1) The *Income Tax (Non-Resident Tax Rates)(Trading Income) (Temporary Taxation) Order 2004* [SD147/04] (‘the temporary order’) is confirmed for the purposes of section 15(4)(a) of the *Income Tax Act 1995*.
- (2) Notwithstanding section 15(5)(b) of the *Income Tax Act 1995*, the temporary order shall continue in operation until an order is made under

section 1(3) of the 1970 Act (inserted by this Act) which contains a declaration that it replaces the temporary order, and the temporary order shall cease to have effect on such date as is specified in that declaration.

- (3) Article 2(3) of the temporary order (limitation of section 1(3) of 1970 Act) shall not operate in respect of section 1(3) of the 1970 Act as inserted by this Act.
- (4) This section shall come into operation on the date on which this Act is passed.

10 Section 57 of the 1970 Act amended

[Amends section 57 of the *Income Tax Act 1970* as follows: paragraph (a) inserts subsection (2A); and paragraph (b) inserts subsection (3A).]

11 Section D108 of the 1970 Act amended

[Amends section D108 of the *Income Tax Act 1970* as follows: paragraph (a) substitutes the words '(of such amount as was paid or payable by the company under section A108(3) in respect of the amount of the loan or advance that is released or written off)' for the words in brackets; and paragraph (b) inserts subsections (1A) and (1B).]

12 Surcharge interest: fraud, wilful default or neglect

- (1) [Adds the words 'and subsection (9) of that section shall apply for the purposes of this section as if the reference to subsection (1A)(b) of that section included a reference to this section' at the end of section 111B of the *Income Tax Act 1970*.]⁵
- (2) This section shall have effect in respect of any payment of interest due in respect of the year of assessment commencing on 6 April 2005 and subsequent years.

13 [Inserts section 118A in the *Income Tax Act 1970*.]

14 Confirmation of order

- (1) The Income Tax (Retention of Tax and Exchange of Information) (Temporary Taxation) Order 2005 [SD150/05] ('the Order') is confirmed.
- (2) The Order shall, from the date on which this Act is passed, continue in operation as a permanent order.
- (3) Subsections (3) to (6) of section 15 of the *Income Tax Act 1995* ('the 1995 Act'), (expiry of orders) do not have effect in respect of this section or the Order.
- (4) For the avoidance of doubt, the Treasury may amend the Order in accordance with the provisions of subsections (1) (enabling powers)

and (2) (Tynwald approval) of section 15 of the 1995 Act and may exercise the powers in those provisions to revoke and replace the Order.

- (5) This section shall come into operation on the date on which this Act is passed.

15 Minor amendments

- (1) [Amends the *Income Tax Act 1970* as follows: paragraph (a) amends section 81 by substituting '96B' for '96A'; paragraph (b) amends section 107B by substituting '96B' for '96A', wherever it occurs; paragraph (c) amends section 108(8) by substituting '(3)(c)' for '(3)(b)'; and paragraph (d) amends section 111A(1A)(a) by substituting '96B' for '96A'.]
- (2) [Repealed]⁶
- (3) [Amends section 106(5) of the *Income Tax Act 1970* as follows: paragraph (a) substitutes paragraph (c); and paragraph (b) substitutes paragraph (e).]
- (4) [Amends section 15(1) of the *Income Tax Act 1995* by inserting paragraphs (ac) and (ad).]
- (5) Subsection (4) shall be treated as coming into operation on 1 January 2005.

PART 8 – GENERAL

16 Interpretation

In this Act, “the 1970 Act” means the *Income Tax Act 1970*.

17 Short title and commencement

- (1) This Act may be cited as the Income Tax (Amendment) Act 2006 and shall be construed as one with the 1970 Act.
- (2) Except where this Act otherwise provides, this Act shall have effect in respect of the income tax year commencing on 6 April in such year as may be specified in an order made by the Treasury and subsequent years.
- (3) An order under subsection (2) may specify different commencement years for different provisions and for different purposes.
- (4) The Treasury may by order make such transitional provisions or savings as it may consider necessary in connection with the commencement of any provision of this Act.

- (5) An order under subsection (4) may have effect in respect of the whole of the year of assessment in which the order is made.⁷

Schedule

Section 2

PART 1

CONSEQUENTIAL AMENDMENTS

Part 1 amends the following Acts –

Income Tax Act 1970 q.v.

Income Tax Act 1989 q.v.

Income Tax Act 2003 q.v.]

PART 2 – REPEAL OF ENACTMENTS

Part 2 repeals the following Acts in part –

Income Tax Act 1970

Income Tax Act 1989

Income Tax Act 2003

Income Tax (Amendment) Act 2004

ENDNOTES**Table of Legislation History**

Legislation	Year and No	Commencement

Table of Renumbered Provisions

Original	Current

Table of Endnote References

¹ Part 1 repealed by Income Tax (Amendment) Act 2008 s 5(2) effective i.r.o. the year of assessment or accounting period commencing on or after 6/4/2007.

² S 1 repealed by Income Tax (Amendment) Act 2008 s 5(2) effective i.r.o. the year of assessment or accounting period commencing on or after 6/4/2007.

³ S 5 repealed by Income Tax Act 2009 Sch 1.

⁴ Para (b) repealed by Income Tax (Corporate Taxpayers) Act 2006 s 9.

⁵ Ed. note: S 111B of the Income Tax Act substituted by Income Tax (Corporate Taxpayers) Act 2006 s 16.

⁶ Subs (2) repealed by Income Tax Act 2009 Sch 2.

⁷ As stated in the Act (ss 2 to 6) operative tax year commencing 6/4/2006 and subsequent years; (ss 8 and 12) operative tax year commencing 6/4/2005 and subsequent years; (ss 9, 13 and 14) operative on passing of the Act 11/7/06. ADO (ss 1, 10, 11, 15 (except s 15(4)) operative tax year commencing 6/4/2006 and subsequent years; (s 15(4)) operative 1/1/2005 see s 15(5)); (SD212/06); (s 7 effective 6/4/2006 and subsequent years (see SD668/06 Income Tax (Amendment) Act 2006 (Application of Provisions) Order 2006).