

**5. BILL FOR SECOND READING**

**5.1. Income Tax Bill 2019 –  
Second Reading approved**

Mr Cannan to move:

*That the Income Tax Bill 2019 be read a second time.*

**The Speaker:** Item 5, Bill for Second Reading, Income Tax Bill 2019 and I call on Mr Cannan to move.

**Mr Cannan:** Mr Speaker, Hon. Members, this short Bill confirms two temporary taxation orders and also makes an amendment to the Income Tax Act 1970.

Before I provide you with an outline of the Bill I would like to remind you of the temporary taxation order process. A temporary taxation order is used by the Treasury to amend and introduce primary Income Tax legislation. It is mainly used to react quickly to international changes or to introduce measures for the Budget. The order has the same power as primary statute and has immediate effect once approved by Tynwald. However, it will cease to have effect within 12 months of the day on which it was approved by Tynwald unless this House reads a Bill confirming the order for a second time.

The first of the orders confirmed by this Bill fulfils a commitment made to the European Union in December 2017, to introduce legislation by December 2018 to address concerns about the lack of a requirement for companies in certain business sectors to have adequate substance in the Island. Although this began as a high-level commitment to satisfy the EU, it is important to note that the OECD Forum on Harmful Tax Practices has now extended its remit to also review substance in low or only nominal tax jurisdictions. This has therefore quickly become an international standard.

To grow and support a strong and diverse economy, the Island must continue to be respected internationally as a well-regulated, transparent and co-operative jurisdiction. It is therefore essential that the Island fulfils the commitments made in 2017 in order to prevent being blacklisted by the European Union and to meet the OECD standard.

The second of the orders confirmed by this Bill addresses the tax treatment of damages awarded by the High Court for future pecuniary loss in respect of personal injury where those damages are awarded in the form of periodical payments. This order amended the Income Tax Act 1970 in order to remove periodical payments from liability to Income Tax when paid to specific individuals.

Finally, Mr Speaker, the Bill amends the 1970 Act to enable Treasury to make regulations for the recovery of foreign taxes. Article 27 of the United Kingdom and Isle of Man Double Taxation Agreement deals with the assistance in collection of taxes. This article is reciprocal and requires each jurisdiction to assist the other in the collection of outstanding tax. However, legislation is required before we can actually assist in the collection of tax.

I beg to move the Second Reading.

**The Speaker:** Hon. Member for Middle, Mr Shimmins.

**Mr Shimmins:** Thank you, Mr Speaker.

I beg to second and reserve my remarks.

**The Speaker:** Mr Baker.

**Mr Baker:** Thank you, Mr Speaker.

Just a question, really. I would be grateful for the Treasury Minister's clarification regarding the new arrangements in clause 3 where the Island is incurring expenditure and putting resources in which are estimated at around £200,000, according to the Treasury Minister's explanatory mechanism, in order to collect taxes for other jurisdictions.

Clearly we have a role, and relationships with other jurisdictions, but it looks here as though the Isle of Man taxpayer is effectively funding tax collection on behalf of other jurisdictions.

I would just like the Treasury Minister to provide a little bit more detail and background as to why we are doing that.

Thank you.

**The Speaker:** I call on the Treasury Minister to reply to the debate.

**Mr Cannan:** Thank you, Mr Speaker.

Yes, I thank the Hon. Member, Mr Baker, for his question and actually I did take time to study that in slightly more detail. What I can actually inform him and the Hon. House is that an amount of £200,000 has been allocated for this year's Budget. It was contained within the Budget, but it is for additional compliance support related to economic *substance* within the Income Tax Division and it is not allocated for the collection of foreign debt.

So just to make that point clear; but I do thank him for raising that issue.

**The Speaker:** I put the question that the Income Tax Bill 2019 be read for a second time. Those in favour, please say aye; against, no. The ayes have it. The ayes have it.