

Income Tax Bill 2012
Second Reading approved

4.2. Mr Henderson to move:

That the Income Tax Bill 2012 be read the second time.

The Speaker: We turn now to the Income Tax Bill. I call on the mover, Mr Henderson.

Mr Henderson: Gura mie eu, Vainstyr Loayreyder.

This Bill confirms six Temporary Taxation Orders repeals certain spent Income Tax legislation, makes various amendments to the Income Tax Act 1970 and an amendment to the Income Tax Act 1989. The Bill is divided into six parts and has 17 clauses. I will now give Hon. Members an overview of the Bill.

The first part of the Bill contains clause 1 which provides the short title of the Act. The second part of the Bill contains clause 2 which confirms six Temporary Taxation Orders. Before I provide you with an outline of the Orders, I would like to explain 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 for the Budget. The Order has the same power of primary statute and has immediate effect, but 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 Temporary Taxation Orders to be approved by this Bill are as follows. The first is the Temporary Taxation Order that repealed the legislation providing for the Attribution Regime for Individuals (ARI). This Order was approved by Tynwald in October 2011. The ARI regime was an anti-avoidance measure which taxed profits of a company on the shareholding under certain circumstances. The European Code of Conduct Group considered that the ARI, when taken together with the corporate Zero-10 tax regime, treated companies owned by non-residents beneficially and therefore could be considered to be harmful. Following the repeal of ARI, the EU Code Group have confirmed that the Zero-10 regime is no longer harmful.

The second Order was approved by Tynwald in this year's Budget and provides that certain deductions will reduce an individual's liability to Income Tax, but will only be allowed at the lower rate of tax. The deductions to which this Order applies are payments of private medical insurance, donations by individuals to charities and nursing expenses. From 6th April this year, relief will only be allowed at 10%, regardless of whether the person pays tax at 10% or 20%.

The third Order was also approved by Tynwald in February's Budget and makes maintenance payments non-taxable.

The fourth Order, also approved as part of this year's Budget, reduces the amount of personal allowance credit payable from £700 to £500 for a single individual, and from £1,400 to £1,000 for a jointly assessed couple.

The fifth Order, another approved in February's Budget, obliges employers to undertake their Income Tax transactions using the online service provided by Government. This will provide for a fast and more efficient customer service.

The sixth and final Order to be confirmed was approved by Tynwald in March this year and amends the Assessor's information-gathering powers. It allows the Assessor to ask taxpayers to provide additional information on their annual Income Tax return.

Part 3 of the Bill contains clause 3 which repeals spent Income Tax legislation.

Part 4 of the Bill contains two clauses which make miscellaneous amendments to the provision regarding Temporary Taxation Orders. It also moves the power to make a Temporary Taxation Order from the 1995 Income Tax Act to the 1970 Income Tax Act, where it is better suited. The amendments being made will simplify the drafting of future orders and their confirmatory Acts or provisions.

Part 5 of the Bill contains 10 clauses, all of which concern the Income Tax Act 1970. These make consequential amendments and repeals and also amend the Assessor's powers to call for documents relating to the taxpayer under investigation.

Two new sections are inserted into the Act which amend the Assessor's powers to obtain information in certain circumstances. The amendments allow the Assessor to ask for information to be provided in the form of a sworn deposition when it is required under the terms of an international tax agreement. This is an internationally acceptable alternative to giving evidence in person in the requested country.

Two further amendments concern two existing statutory information gateways established between the Assessor and other Government Departments. Each amendment allows information obtained via the respective gateway to be forwarded, provided that the consent of the disposal body is given.

A further amendment introduces a cross heading which provides for the insertion of the Temporary Taxation Order legislation from the 1995 Act – in other words, a housekeeping procedure.

The final amendment to the 1970 Act inserts a new schedule, which introduces savings and transitional provisions. The savings provisions will safeguard the ongoing effect of the legislation which is repealed by clause 3 of this Bill. The second paragraph of the schedule introduces transitional provisions which allow for the movement of the Temporary Taxation Order legislation from the Income Tax Act 1995 to the Income Tax Act 1970.

Finally, part 6 of the Bill replaces an out-of-date reference to the Department of Health and Social Security in the Income Tax Act 1989. It also provides the resulting Act will expire on the day after its promulgation. This will remove it from the Island's statute book in an exercise to ensure remove dead wood.

Vainstyr Loayreyder, I beg to move the Second Reading.

The Speaker: Mr Teare.

Mr Teare: I beg to second and to reserve my remarks, sir.

The Speaker: Does any Member wish to speak?
In that case I put the motion... Mr Henderson, if you wish...?

Mr Henderson: No, it is alright.

The Speaker: No? No debate to reply to.

I put the motion that the Income Tax Bill 2012 be read for the second time. Those in favour, please say aye; against, no. The ayes have it. The ayes have it.