

## 2. Income Tax (Amendment) Bill 2013 – First Reading approved

Mr Braidwood to move:

*That the Income Tax (Amendment) Bill 2013 be read first time.*

**The President:** We turn now Hon. Members, to the Income Tax (Amendment) Bill 2013 for First Reading. I call on Mr Braidwood.

**Mr Braidwood:** Thank you, Madam President.

This Bill confirms a number of temporary taxation orders, makes various amendments to both the Income Tax Act 1970 and the Income Tax (Instalment Payments) Act 1974, and also makes minor amendments to the Interpretation Act 1976, and the Customs and Excise Management Act 1986.

The Bill itself contains 14 clauses and a schedule.

The temporary taxation orders confirmed by the Bill deal with: company residence; the European Union Savings Directive; the disclosure facility agreed between the Isle of Man Government and Her Majesty's Revenue and Customs; international agreements; authorised officers and their inspection powers; and returns made by insurers.

The Bill makes various amendments to the Income Tax Act 1970. These introduce two new categories of income on which tax is payable; replace section 48 addressing the tax treatment of Social Security benefits; insert a new part heading; and introduce a new offence of fraudulent evasion of income tax. They also make minor changes to section 115A concerning temporary taxation order powers.

The amendments to the Income Tax (Instalment Payments) Act 1974 introduce new part headings and a new Part 2 consisting of six sections which address deemed employment.

Finally, Madam President, the schedule to the Bill makes minor and consequential amendments to the Income Tax Act 1970, the Income Tax (Instalment Payments) Act 1974, the Interpretation Act 1976, and the Customs and Excise Management Act 1986.

Madam President, I beg to move the First Reading of the Income Tax Amendment Bill 2013.

**Mr Downie:** Madam President, I beg to second and reserve my remarks.

**The President:** The Hon. Member, Mr Crowe.

**Mr Crowe:** Thank you, Madam President.

Yes, just a few words on this. I will be supporting the Bill.

The temporary taxation orders: the confirmation is a statutory function, which we have to do before they expire, I think we have to do it in the current year.

Perhaps if the hon. mover could just expand a bit on the two new categories of remuneration. I think possibly this is to do with service companies and looking through from the company through to the shareholder or the employee to look through the structure so that the individual pays the tax rather than the company. So I think that is one of the issues.

I think as far as Social Security benefits is concerned, is this to now tax benefits that were previously untaxed or is it just a re-confirmation of the current situation?

**The President:** The mover to reply.

**Mr Braidwood:** Thank you, Madam President, and I thank Mr Crowe for his observations.

He is quite right, with the temporary taxation orders, within one year they have to be promulgated, otherwise they fall.

On personal service companies which are mentioned, I think this has been one way of avoidance of paying income tax, particularly if the personal service companies is mainly used to be and employed by one company or is employed by two companies. In actual fact, it is not being used as it should be. It is being used basically as an employer/employee situation and it was this way of avoiding having to pay income tax.

So this legislation will prevent that happening and the proper tax will be taken.

And on the other point on the change of taxation, if we look at the main Bill and clause 7 and section 48 as substituted, 'taxation treatment of social security benefits': it is just going through which are not taxable. However, this will give powers in the future if any of those benefits were to be taxed. Or we could go the other way, some benefits which would be excluded from taxation.

I beg to move, Madam President.

**The President:** The motion is that this Bill be now read the first time. Those in favour, please say aye; against no. The ayes have it. The ayes have it.