

2. Income Tax Bill 2015 – Second Reading approved

Mr Henderson to move:

That the Income Tax Bill 2015 be read a second time.

The President: We come now to the Income Tax Bill 2015, and I call on Mr Henderson to take the Second Reading, followed by clauses.

Mr Henderson: Gura mie eu, Eaghtyrane.

Eaghtyrane, this Bill confirms four temporary taxation orders and makes a number of amendments to the Income Tax Act 1970 and one to the Income Tax Act 1989. The Bill is divided into four parts and has 12 clauses. I will now give an overview of what they are intended to achieve.

The first part of the Bill contains clauses 1 to 3. These provide the short title of the Act, the interpretation and the expiry of the Act respectively.

The second part of the Bill contains clause 4, which confirms the four temporary taxation orders. The first of these is the Income Tax (Resident Individuals) (Income Tax Cap) (Temporary Taxation) Order 2014. This order was approved by Tynwald as part of the 2014 Budget and changed the tax cap system that was introduced in 2006. Under the new system, an individual or jointly assessed couple must elect for the cap to be applied and, if the election is approved, it will apply for five consecutive tax years at the amount applying to the first year.

The second is the Income Tax (Disclosure of information) (Temporary Taxation) Order 2014, which was also approved as part of last year's Budget. This enables appropriate income tax data to be provided for specific economic purposes to assist Government. It also makes it an offence for the information to be disclosed other than for the purpose for which it was supplied.

The third order is the Income Tax (Personal Allowance Credit) (Temporary Taxation) Order 2015. This was recently approved by Tynwald as part of the 2015 Budget and introduces additional criteria which must be met in order for a person to qualify for the Personal Allowance Credit. It also provides that a jointly assessed couple will only receive an amount equivalent to twice that for an individual if both parties meet the qualifying criteria.

Clause 4 also confirms the Income Tax (Corporate Taxpayers) (Temporary Taxation) Order 2015. This order also formed part of the 2015 Budget and makes it compulsory for the majority of companies to file their annual return electronically using the Government's online tax services.

Part 3 of the Bill contains seven clauses, all of which amend the Income Tax Act 1970. The first of these, clause 5, introduces part 3 of the Bill.

The sixth clause amends the tax cap legislation to ensure that a person who has elected for the five-year cap to apply will not pay more income tax as a result of the election.

The seventh clause makes a number of amendments to the international arrangements provided for by part 9 of the 1970 Act. These update wording, make a consequential amendment, substitute a section, make a grammatical correction and replace out-of-date cross-references.

Clause 8 amends part 11 of the 1970 Act. It replaces the heading, inserts a new section, enabling Treasury to make regulations about the keeping of accounting records and also makes a number of minor amendments to section 105D.

Clause 9 makes a number of amendments to part 12 of the Act. These include changes to section 105K, which will help to prevent certain actions that could frustrate an investigation into an individual's tax affairs. They also remove a few words from section 105L and make a number of largely grammatical changes to section 105M.

Clause 10 inserts a new part 12A into the 1970 Act. The new part will amend parts 11 and 12 of the Act for the purposes of exchanging information under an international arrangement. This will

remove the need for such changes to be made in each separate ratification order and will apply them to all current and future international arrangements.

Finally, clause 11 inserts a new definition into section 120 of the 1970 Act.

Part 4 of the Bill contains clause 12. This amends section 5A of the Income Tax Act 1989 so as to require Tynwald approval for regulations made under that section.

Eaghtyrane, I beg to move the Second Reading.

The President: The Hon. Member, Mr Coleman.

Mr Coleman: Thank you, Madam President.

I beg to second and reserve my remarks.

The President: The Hon. Member, Mr Turner.

Mr Turner: Yes, could I just ask the mover in relation to clause 8 regulations about record keeping? Treasury may, by regulations, make such provisions as appear to be appropriate about the keeping of accounting records by persons, namely a relevant person, who is a non-corporate taxpayer. If he could explain what a non-corporate taxpayer is.

Thank you.

The President: The mover to reply.

Mr Henderson: Gura mie eu, Eaghtyrane.

I think in answer to the Hon. Member, Mr Turner's question, I think I must turn to my officers in the Gallery. Mr Martin might be able to give us some clarity on that if we could...

Mr Martin: Yes. Good morning.

The President: Could I invite you to state your name and your role, please?

Mr Martin: Yes. Paul Martin, Deputy Assessor of Income Tax.

A non-corporate taxpayer – the way it is defined within the Act – is anyone who is not a corporate taxpayer and so it would include anybody like individuals, trusts, etc.

The President: Thank you.

Mr Henderson: I thank Mr Martin for that clarification, Eaghtyrane.

With that, I beg to move.

The President: Hon. Members, the motion is that the Bill be read a second time. Those in favour, please say aye; against, no. The ayes have it. The ayes have it.

Income Tax Bill 2015 – Clauses considered

The President: Turning to the clauses, perhaps we could take clauses 1, 2 and 3 together.

Mr Henderson: Yes. Gura mie eu, Eaghtyrane.

Eaghtyrane, as we have heard, the Bill contains 12 clauses, it confirms four temporary taxation orders and amends the 1970 Income Tax Act and an amendment to the 1989 Income Tax Act.

Eaghtyrane, clause 1 provides the short title of the Act.

Clause 2 provides the interpretation for the Act.

Clause 3 provides for the Act to expire on the day after its promulgation, except for those provisions which are automatically repealed on that day by section 115A of the Income Tax Act 1970. It also confirms that its expiry will not affect the provisions of the Act.

Eaghtyrane, I beg to move that clauses 1, 2 and 3 stand part of the Bill.

The President: The Hon. Member, Mr Coleman.

Mr Coleman: I beg to second, Madam President.

The President: The motion is that clauses 1, 2 and 3 do stand part of the Bill. Those in favour, please say aye; against, no. The ayes have it. The ayes have it.

Clause 4.

Mr Henderson: Gura mie eu, Eaghtyrane.

Before I provide the detail of clause 4, I should explain that an amendment was introduced into the Bill at the consideration of clauses in respect of this clause.

The clause originally confirmed two temporary taxation orders that had been approved by Tynwald as part of the 2014 Budget. The introduction of the amendment enabled the clause to confirm two additional temporary taxation orders, which were approved by Tynwald as part of this year's budget. The introduction of this amendment has removed the requirement to prepare a further Income Tax Bill to confirm the orders within 12 months of their approval and thus saved on administration and the costs associated with producing such a Bill.

I would now like to turn to clause 4 of the Bill, Eaghtyrane, which confirms four temporary taxation orders. The first of these is the Income Tax (Resident Individuals) (Income Tax Cap) (Temporary Taxation) Order 2014, statutory document 2014/0019. This order amends the income tax cap regime that was first introduced in 2006. The order will require an individual or jointly assessed married couple or civil partners to elect for the tax cap to apply. If the Assessor approves the election, it will apply for five continuous tax years. The level of the tax cap applying to each of those years is the same and is the level that applies to the first year of the election. The order provides for the level of the cap to be set by order of the Treasury. An election must be made before the start of the tax year to which it applies; however, if a new resident elects for the tax cap within 60 days of commencing residence in the Island, the election can apply to the year in which they arrive and to the four subsequent tax years.

The second temporary taxation order to be confirmed by this Bill is the Income Tax (Disclosure of Information) (Temporary Taxation) Order 2014. This order enables anonymised income tax data to be supplied for economic modelling services required by the Treasury or the Assessor. Similarly, information can also be supplied to the Chief Secretary or a person authorised by him, or her, to provide economic advice or for the production or analysis of statistics.

The order makes it an offence for anyone to whom the information has been given to disclose it, other than for the purpose for which it was supplied; however, this does not apply to the publication of anonymised data that has been supplied for statistical analysis which may be used, for example, in the National Income Report.

The third order was approved by Tynwald in February of this year as part of the Budget. This is the Income Tax (Personal Allowance Credit) (Temporary Taxation) Order 2015. This order amends the Income Tax Act 2003 in order to expand the conditions necessary to qualify for a Personal Allowance Credit. The additional conditions require a person to be aged 65 or over at the start of the tax year to which the payment relates or to have been entitled to either Blind Person's Allowance or Disabled Person's Allowance in that year. The order also ensures that a jointly assessed couple will

only receive the full amount for a qualifying couple if both partners meet the qualifying conditions. If only one partner meets the conditions, the couple will be entitled to half of the payment.

The fourth and final temporary taxation order is the Income Tax (Corporate Taxpayers) (Temporary Taxation) Order 2015. This order introduces a requirement for the majority of companies to file their annual tax return electronically using the Government's online tax services.

Compulsory online filing will come into operation for accounting periods ending on or after 5th April 2015, except for those companies which fall into one of the exemption categories. The exemptions apply to a small number of companies and include, amongst others, sports and social clubs, foundations, charities, companies in liquidation, limited liability companies and protected cell companies. In addition to the exemption categories, if a company can satisfy the Assessor that they do not have access to the internet or that they have a reasonable excuse for not complying, they will be exempt from the requirement.

Eaghtyrane, I beg to move that clause 4 stand part of the Bill.

The President: The Hon. Member, Mr Coleman.

Mr Coleman: I beg to second, Madam President.

The President: The Lord Bishop.

The Lord Bishop: Thank you, Madam President.

I support this clause, although with a certain amount of reluctance because the reference to the tax cap is a great improvement on what was there before; but my hesitation is that individuals with a regular income of two-thirds of £1 million a year and above pay less tax than poorer people paying tax at the normal higher level of 20%, and it is not as though 20% is high in comparison with other jurisdictions.

I hear sometimes the explanation that they would move away if they did not have the tax cap and I have two answers to that: Where? And also I think that insults their integrity because they are perfectly good people against whom I have no axe to grind.

But I will support this as an improvement on what we had before.

The President: The mover to reply.

Mr Henderson: Gura mie eu, Eaghtyrane.

I thank the Lord Bishop for his commentary to this clause, Eaghtyrane, and his outline support for it in its current fashion. I think, as everyone knows, we are progressing Treasury and Government policy here with regard to large income earners and trying to make the Isle of Man an attractive area to reside and so far the policy, as much as it may be criticised in small areas, has proved successful. Certainly individuals who come under the tax cap were looking at something like 1,400 employees locally on the Isle of Man, for instance, as an amalgamation of them all living here and the input into our economy and so forth. So I take on board the Bishop's observations, but would ask Hon. Members in general to support the clause.

The President: The motion is that clause 4 do stand part of the Bill. Those in favour, please say aye; against, no. The ayes have it. The ayes have it.

Clauses 5 and 6.

Mr Henderson: Gura mie eu, Eaghtyrane.

Clause 5 confirms that the Income Tax Act 1970 is amended in accordance with part 3 of the Bill.

Clause 6 amends section 2ZA of the 1970 Act, which provides for the tax cap election. If a person believes they have paid more income tax as a result of the election, this change will give them an

opportunity to prove this to the Assessor and to apply for those years to be reassessed as if the tax cap had not been applied. If agreed, those assessments could then be amended.

Eaghtyrane, I beg to move that clauses 5 and 6 do stand part of the Bill.

The President: Mr Coleman.

Mr Coleman: I beg to second, Madam President.

The President: The motion is that clauses 5 and 6 do stand part of the Bill. Those in favour, please say aye; against, no. The ayes have it. The ayes have it.

Clause 7.

Mr Henderson: Gura mie eu, Eaghtyrane.

Eaghtyrane, clause 7 makes a number of amendments to part nine of the Act. It removes the words 'necessary or' from section 104B and 104C to more closely reflect the wording used in the international arrangements to which they relate. Section 104C is further amended by the removal of subsection (1)(b)(i) which is a consequence of the introduction, by clause 10, of a new part into the Act.

Clause 7 also substitutes section 104G. This section addresses the disclosure of information by a Manx tax official in that disclosure must be in accordance with the international arrangement under which the information is provided. The wording in subsection (2) will ensure that the information provided to the Assessor under an international arrangement may not be used in criminal proceedings against the person who supplied it, except for perjury or a similar offence.

The clause also amends section 104(h) by substituting subsection (1) in order to improve its clarity.

Finally, it makes a number of minor amendments to section 104(i). It replaces 'summonsed' with 'summoned' and replaces two out-of-date cross-references – '105P' is replaced with '104H' and '105P(1)' is replaced with '104H(1)'.

Eaghtyrane, I beg to move that clause 7 stand part of the Bill.

The President: The Hon. Member, Mr Coleman.

Mr Coleman: I beg to second, Madam President.

The President: The motion is that clause 7 do stand part of the Bill. Those in favour, please say aye; against, no. The ayes have it. The ayes have it.

Clause 8.

Mr Henderson: Gura mie eu, Eaghtyrane.

Eaghtyrane, clause 8 substitutes the heading of part 11 with 'information and evidence'. It also inserts a new section 105BB which provides for Treasury to make regulations about the keeping of accounting records.

The new section specifies what the regulations can address and to whom they can apply. It also enables the regulations to make any provision regarding the keeping of records that might be contained in an Act of Tynwald. It further requires any such regulations to be approved by Tynwald before coming into operation.

Eaghtyrane, the Isle of Man is a member of the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes, which is the multilateral framework within which work in the area of tax transparency and exchange of information is carried out by over 120 jurisdictions.

The Global Forum is charged with in-depth monitoring and peer review of members' implementation of the international standards of transparency and exchange of information for tax

purposes. This monitoring is by way of a detailed assessment of the laws, regulations and exchange of information mechanisms and their effectiveness.

The Isle of Man was subject to its phase 1 and phase 2 detailed assessments in 2010. Subsequently, in 2014, the Global Forum published ratings for the 71 countries reviewed at that time and the Isle of Man was one of only 20 countries to be awarded the top 'compliant' rating.

Within the next few years, the Island will undergo a phase 3 review regarding the application of tax information on request. Since the Island's last review, many other jurisdictions have undergone phase 1 and phase 2 reviews, and a considerable amount has been learnt by both the OECD assessment teams and the Assessor about what is best practice. This has highlighted a number of areas where the Island's Income Tax legislation requires amending in order to help ensure a successful phase 3 review.

The obligation for various entities to keep accounting records is one of the elements reviewed and these regulations, when introduced, will strengthen the Island's legislation ahead of that review.

The international standard for record keeping is five years and, although the Income Tax Acts already contain some requirements for certain entities to keep records, the ability to make regulations will allow the coverage of the requirements to be broadened and standardised.

International transparency is a fast-moving area and the power of the regulations will provide flexibility to ensure the Island's legislation meets the requirements of its next Global Forum peer review and the future.

The power does, however, also restrict the regulations to only making those changes that are required for the keeping and preservation of accountancy records. In addition, any regulations must be approved by Tynwald.

It should also be noted that the Assessor intends to consult on any changes that may be proposed in regulations prior to their introduction.

Finally, clause 8 makes a number of minor amendments to section 105D. In subsection (3) it makes plural each use of the word 'document', while in subsection (6)(a) after 'in such form', it inserts the words 'and in such manner', which should ensure that copies of any documents that are required for an investigation into a person's tax affairs will be provided in an appropriate way.

The last amendment is to include reference to 'information' in the marginal note, by changing it to 'power to call for documents or information relating to taxpayer'.

I beg to move that clause 8 stand part of the Bill.

The President: The Hon. Member, Mr Coleman.

Mr Coleman: I beg to second, Madam President.

The President: The Hon. Member, Mr Turner.

Mr Turner: Thank you, Madam President.

I think we need to be very cautious about where we are going. We had some very interesting comments from industry about the obsession that the Manx Government seems to have about being the first and the best to sign up to everything going. Indeed, we have had some quite negative comments from industry, saying that the Isle of Man has completely got rid of its USP, it is regulating itself out of existence, and this seems to be coming from the bureaucrats... all this regulation coming from the bureaucrats, looking to be patted on the back and awarded these accolades, but in reality they are not growing us business, they are losing us business and I think we have to be very cautious.

We should not be running to be the first all the time. As we were told, we should have proportionate and adequate regulation, that we need to be watching what the other British Territories are doing, because quite a few of them are taking their time over some of these things and are flourishing, while we seem to be seeing signs of struggling in certain areas.

I think if we are not careful, we will literally regulate ourselves out of business and I think that is going to then, no doubt, cause problems for the man in the street, because these are the people who have the jobs, whose household incomes rely on these jobs and we are seeing them move out of the UK as well.

So I think we have to be very careful, and sometimes being the first and the best might be a nice badge to have, but does it pay our bills, does it keep our people employed and does it keep our economy going? Well, time will tell, I think.

I am very concerned about the regulations about record keeping and we were told that non-corporate taxpayers include individuals. It was skimmed over quite quickly. Does that mean that we are looking at a stage where individuals, as in the man in the street, are going to have to be keeping accounting records, as described by these regulations, the adequacy of such regulations and their preservation will be decided?

Have I got the message right or is that not what this is intended to be, because it seems to be a very wide *blasé* statement of the individuals? So I think we need to know. Are we looking at the stage where this Government is going to start... meaning that every individual is going to have to start keeping accountancy records – a level of accounting records? Because, if so, I think that is going to be rather an oppressive nuisance to people.

So I think we need clarity on that and we hear all the time, 'Well, it is not intended for that. It is not going to be used for that.' But then we see it... if it is in black and white, it is there and it can be used. The future of administrations could bring that in and I think we need to know exactly what we are passing here on this clause.

Those are my comments on the clause, Madam President.

The President: The mover to reply.

Mr Henderson: Gura mie eu, Eaghtyrane.

I thank the Hon. Member, Mr Turner, for his observations, and the first thing I would say to Hon. Members, in general terms, is that we are complying with international regulations and standards here.

We have noticed from previous assessments where the standards are going to be set and this is in answer to those observations. I would say that really if we do not do anything when we have our phase 3 assessment via the OECD, then we will be forced to comply. We will be told basically, 'This is the new international standard. This is what is expected.'

Really, we are being proactive here. It is not a case of trying to get a badge of honour, Eaghtyrane, or for bureaucrats to be patting themselves on the back, which I take exception to, because there is a lot of hard work gone in behind the scenes here to produce this and assessing what has been going on in the OECD forums and what the remarks and observations have been, coming out from the other assessments, and this is our proactive response.

So I do not think I need to labour that or the importance of that point, Eaghtyrane. Some businesses, it is fair to say, may not like it, but if we are going to comply with international standards – which we are required to do – and we can see what is coming down the line, then I think it is incumbent upon us to make those moves.

If we can plan now and, as I say, consult and so on now, rather than be backed into a corner and be making regulation in a more hasty fashion, I think this is a more responsible way to move, so affected persons and businesses and so on can plan and move forward in a considered approach, rather than in a panic in the background.

With regard to record keeping, yes, it does and it will affect everyone, and it is certainly aimed at businesses and so on. And, yes, we are all going to have to get a little smarter at retaining what we have in our home as well – is the answer to that. (**Mr Turner:** Unbelievable!) But the point is it is international regulations again. It is international observations that are coming down the wires.

I would point the Hon. Member to the recent case where there were several arrests made here in the Isle of Man alone; Eaghtyrane, enquiries in Guernsey in the Channel Islands, millions and millions of pounds of money involved, as quoted in the local media; a multilateral Police approach to that and individuals involved and a string of company names being named throughout that shows you what can go on. These are the kind of things that international standards are aspiring to address and part of the reason why we are here with a clause such as this.

It is just a way of getting used to doing things slightly differently, Eaghtyrane, and being able to supply information and evidence, and assist us in being a top-flight jurisdiction, and prove to the rest that we are not a tax haven and we are actually a blue chip financial centre.

Eaghtyrane, I beg to move.

The President: The motion is that clause 8 do stand part of the Bill. Those in favour, please say aye; against, no. The ayes have it. The ayes have it.

Clause 9.

Mr Henderson: Gura mie eu, Eaghtyrane.

Clause 9 makes a number of amendments to section 105K in part 12 of the Act. It substitutes subsection (2) and inserts new subsections (2A), (2B) and (2C).

When the Assessor is investigating an individual's tax affairs, she or he may request relevant documents and information from the taxpayer or from a third party. If the items requested are not provided in a reasonable time the Assessor can issue a notice requiring them to be provided. Under certain circumstances, such as if the notice is not complied with, the Assessor can apply to the High Court for an order requiring the provision of the items specified in the notice. If this occurs, the taxpayer or the third party is entitled to a minimum of 14 days' notice of the Assessor's intention to apply to the High Court.

Under the new subsection (2), once the taxpayer or third party has been advised that the Assessor intends to apply to the High Court they must not hide, change or destroy any documents or information specified in the application before the latest of the events listed. Nor can they tell anyone other than their professional legal adviser or tax adviser anything that might prejudice the investigation at any time before either the application is dropped or the investigation is concluded.

Under new subsection (2A), these obligations are lifted if the Assessor notifies the taxpayer or third party that this is the case. However, subsection (2B) ensures that, despite (2) and (2A), they must continue to keep any of the items that they are required to by record-keeping regulations.

The new subsection (2C) provides the circumstances in which the Assessor must advise the taxpayer or third party that their obligations to keep the specified items have ceased. These changes are intended to help prevent any action being taken that would frustrate an investigation.

Clause 9 makes one further change to section 105K, which is to remove the words 'authorised for the purpose' from subsections (3) as these words are not required. It goes on to make the same correction in section 105L(2).

The final amendments to be made by clause 9 address section 105M and several of these are just minor grammatical changes. Subsection (1)(b) is substituted in order to remove the first word and to correct the word 'information' to 'application'. The substitution also replaces the words 'is to' with 'may' to clarify that the Assessor cannot be certain that evidence will be found in the specified premises.

A number of minor grammatical changes are made to subsection (4) while the whole of subsection (9) is substituted to make a further small grammatical change and to update a part of the language.

Eaghtyrane, I beg to move that clause 9 stand part of the Bill.

The President: The Hon. Member, Mr Coleman.

Mr Coleman: I beg to second, Madam President.

The President: The motion is that clause 9 do stand part of the Bill. Those in favour, please say aye; against, no. The ayes have it. The ayes have it.

Clause 10.

Mr Henderson: Gura mie eu, Eaghtyrane.

Clause 10 inserts a new part 12A into the Act, consisting of three sections. This new part amends provisions in parts 11 and 12 to enable them to apply to international arrangements signed by the Isle of Man.

Currently, when a tax agreement is signed, the order ratifying the agreement makes modifications to the legislation in parts 11 and 12 so that the Isle of Man can comply with its obligations to exchange information under the agreement.

The introduction of this new part will, instead, make all the necessary modifications to parts 11 and 12, and will apply them to all current and future international arrangements. This will remove the need for future ratification orders to make the modifications and it will ensure that the same legislation applies to all appropriate international arrangements. It also means that if any further modifications are required in the future, as a result of changing international requirements, those changes can be made to the new part and will apply to all existing arrangements, rather than the changes having to be applied to each individual arrangement, as is currently the case.

As well as the new part making the modifications that have previously been made by the individual ratification orders, it also makes some additional amendments which will assist the Island at the phase 3 review that I mentioned earlier, and ensure that it is able to retain the top 'compliant' rating.

These additional amendments are required because the Global Forum is currently updating the terms of reference for the next round of reviews in order to reflect developments in international standards and highlight 'patterns' of deficiencies or issues identified in member country reviews that have been carried out since the Isle of Man was last reviewed in 2010. We therefore need to make sure that the Island's laws and exchange of information mechanisms will meet the revised standards and terms of reference.

Turning now to the new part, this consists of three sections – 105OA, 105OB and 105OC. The first section provides for parts 11 and 12 of the Act to apply to international arrangements subject to the modifications made by the part.

The second section, 105OB, makes a number of modifications to part 11. As I have mentioned, a number of these are the modifications which, to date, have been made by each ratification order and which have been amended very slightly in the new section in order to enable them to apply to a broad range of international arrangements.

In addition to these, section 105E(1) has been substituted to remove reference to 'serious prejudice' to the proper assessment or collection of tax. The use of this phrase has raised issues for some jurisdictions in their phase 2 Global Forum peer reviews, as the wording does not fall within the Global Forum's terms of reference. A new subsection (1A) is also inserted to provide clarity, and arises from breaking the original subsection (1) into two subsections.

Section 105E is further amended by the removal of subsections (5) to (7). This removes any restriction on the ability of the Assessor to request, in a notice, a document, the whole of which is more than six years old. This is another measure which will help the Island in its review. Although the Island has strict law regarding information that is more than six years old, many countries with which we have an agreement do not.

Section 105OB also removes section 105F for the purposes of an international arrangement. This is one of the issues identified in member country reviews as the role of tax advisor does not have any legal privilege under an international agreement.

A further amendment inserts two new subsections into section 105G. The first of these, subsection (1A), will ensure that the Assessor can request documents or information relating to a tax investigation from a company that has ceased to exist. Similarly, new subsection (1B) enables the Assessor to direct such a request to the administrator or executor of an estate in the case of an individual who has died.

Finally, the new section 105OC modifies part 12 of the Act for the purposes of an international arrangement. The first of these modifications is to substitute wording in section 105I(1) in order to remove the reference to 'serious prejudice', for the reasons already given. The word 'serious' is also removed from section 105K for this reason, and section 105K is further modified to remove references to 'tax advisor', again for the reason previously stated.

The main modification made by this section is the insertion of a number of definitions in section 105O. A number of these are modifications that have been made by each ratification order. However, the definition of 'liability to income tax' has been expanded to help ensure the Island can fulfil its obligations to exchange information under an international arrangement. The definition of 'information' is also replaced with one that is broader, for the same reason.

Eaghtyrane, I beg to move that clause 10 do stand part of the Bill.

The President: The Hon. Member, Mr Coleman.

Mr Coleman: I beg to second, Madam President.

The President: The motion is that clause 10 do stand part of the Bill. Those in favour, please say aye; against, no. The ayes have it. The ayes have it.

Clause 11.

Mr Henderson: Gura mie eu, Eaghtyrane.

Clause 11 inserts a definition of 'record-keeping regulations' into the alphabetical list of definitions in section 120 of the Act. This is to reflect the introduction by clause 8 of this Bill of a new section which enables Treasury to make these regulations.

Eaghtyrane, I beg to move that clause 11 stand part of the Bill.

The President: Hon. Member, Mr Coleman.

Mr Coleman: I beg to second, Madam President.

The President: The motion is that clause 11 do stand part of the Bill. Those in favour, please say aye; against, no. The ayes have it. The ayes have it.

Finally, clause 12.

Mr Henderson: Gura mie eu, Eaghtyrane.

Clause 12 makes an amendment to the pension legislation in this Act. If a member of a pension scheme that has been approved by the Assessor has only built up a small amount of pension savings, they can opt to convert the fund into a lump sum, which is known as 'trivial commutation'.

Treasury currently has the power under section 5A to make regulations regarding the payment of trivial commutation lump sums, and clause 12 introduces the requirement for these regulations to be approved by Tynwald before coming into operation. This will bring the legislation into line with similar regulation-making powers.

Eaghtyrane, I beg to move that clause 12 do stand part of the Bill.

The President: Mr Coleman.

Mr Coleman: I beg to second, Madam President.

The President: The motion is that clause 12 do stand part of the Bill. Those in favour, please say aye; against, no. The ayes have it. The ayes have it.