



Isle of Man

Ellan Vannin

INCOME TAX BILL 2019

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Explanatory Memorandum

1. This Bill is promoted by Mr Henderson MLC on behalf of the Treasury. The Bill has passed the Keys, and was amended in that Branch. This reprint incorporates those amendments.
2. *Clause 1* of the Bill gives the short title of the resulting Act.
3. *Clause 2* of the Bill confirms 2 temporary taxation orders made under section 115A of the Income Tax Act 1970, for the purposes of complying with subsection (4) of that section. That subsection states that a temporary taxation order —
“shall cease to have effect unless within the next 12 months after the day on which the order is approved by Tynwald —
 - (a) a Bill confirming the order is read a second time by the House of Keys, or
 - (b) a Bill is amended by the House of Keys so as to include provision confirming the order”.
4. Subsection (2) of clause 2 makes reference to an order by which one of the temporary taxation orders was subsequently amended.
5. *Clause 3* of the Bill inserts a new section 104EA (Arrangements under section 104E: recovery of debts), which empowers the Treasury to make regulations which provide for the recovery in the Island, of debts relating to any relevant foreign tax, pursuant to arrangements which have effect under section 104E. Any such regulations require Tynwald approval. Subsection (2) of the new section defines “relevant foreign tax” and subsections (3) and (4) make further provision in relation to regulations made under subsection (1).
6. With regard to the financial and human resource implications, the initial effect of the resulting Act is that a dedicated compliance team within the Income Tax Division of the Treasury will be required, for which an amount of £200,000 has been allocated in this year’s Budget.
7. In the opinion of the member moving the Bill its provisions are compatible with the Convention rights within the meaning of the Human Rights Act 2001.



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INCOME TAX BILL 2019

1 **A BILL** to confirm certain temporary taxation orders and to amend the Income
 2 Tax Act 1970 so as to enable regulations to be made which provide for debts
 3 relating to any relevant foreign tax pursuant to arrangements having effect by
 4 virtue of section 104E.

BE IT ENACTED by the Queen’s Most Excellent Majesty, by and with the advice and
 consent of the Council and Keys in Tynwald assembled, and by the authority of the
 same, as follows:—

5 **1 Short title**

6 The short title of this Act is the Income Tax Act 2019.

7 **2 Temporary Taxation Orders confirmed**

8 (1) The following are confirmed (and in accordance with section 115A of the
 9 *Income Tax Act 1970* continue as permanent orders) —

- 10 (a) the Income Tax (Substance Requirements) Order 2018¹ (“the
 11 Substance Order”);
 12 (b) the Income Tax (Periodical Payments) (Temporary Taxation Order)
 13 Order 2019²;
 14 (c) the Income Tax (Tax Cap) (Temporary Taxation) Order 2020³;
 15 (d) the Income Tax (Key Employee) (Temporary Taxation) Order 2020⁴;
 16 and
 17 (e) the Income Tax (Disclosure of Information) (Temporary Taxation)
 18 Order 2020⁵.

19 (2) For clarity, the Substance Order has effect, at all times after the coming
 20 into operation of the Income Tax (Substance Requirements) (Amendment)
 21 Order 2019⁶, subject to the amendments contained in that Order.

¹ SD 2018/0263

² SD 2019/0026

³ SD 2020/0026

⁴ SD 2020/0027

⁵ SD 2020/0238

⁶ SD 2019/0271



1 **3 Income Tax Act 1970 amended**

2 (1) The *Income Tax Act 1970* is amended as follows.

3 (2) After section 104E (effect of international arrangement), insert —

4 **“104EA Arrangements under section 104E: recovery of debts**

5 P2006/25/175 and drafting

6 (1) The Treasury may by regulations make provision for the recovery
7 of debts relating to any relevant foreign tax. However, this power
8 is contingent on the following prerequisites —

9 (a) the intended scope of the recovery must be limited to the
10 Island; and

11 (b) the relevant foreign tax to which the debts relate must be the
12 subject of arrangements that —

13 (i) have effect by virtue of section 104E; and

14 (ii) contain an assistance in collection provision.

15 Tynwald procedure — approval required.

16 (2) In this section —

17 **“assistance in collection provision”** means a written provision
18 requiring the territories that are parties to the arrangements
19 in question to lend assistance to each other in the collection of
20 tax debts;

21 **“relevant foreign tax”** means any tax or duty —

22 (a) imposed under the law of a territory in relation to
23 which such arrangements have been made; and

24 (b) covered by the arrangements.

25 (3) Regulations under this section may make provision for the taking
26 of action to recover debts relating to any relevant foreign tax by
27 way of legal proceedings, distress, diligence or otherwise.

28 (4) Such provision may in particular be made by applying, with any
29 appropriate modifications, any enactment or rule of law that
30 applies in relation to the recovery of any tax or duty imposed under
31 the domestic law of the Island (including any enactment relating to
32 penalties or interest on unpaid amounts).”

IN THE COUNCIL

INCOME TAX BILL 2019

A **BILL** to confirm certain temporary taxation orders and to amend the Income Tax Act 1970 so as to enable regulations to be made which provide for debts relating to any relevant foreign tax pursuant to arrangements having effect by virtue of section 104E.

Brought from the Keys on 10 June 2020

MR HENDERSON

JUNE 2020