

## **Explanatory Memorandum to Tynwald Members**

Issued by the Department of the Treasury

**To the Hon Laurence Skelly MLC, President of Tynwald and the Hon Council and Keys in Tynwald assembled**

**1. 1. Title of measure**

Indirect Taxes (Disclosure of Avoidance Schemes) Regulations 2021

**2. Changes in policy**

None.

**3. Effects of the measure**

These Regulations form part of a change in the way indirect tax avoidance is notified to the Treasury. They detail the requirements on promoters and users of, and others party to, indirect tax avoidance schemes and set out where appropriate the time limits within which those requirements should be met. They also set out the circumstances when persons who would otherwise be treated as promoters of indirect tax proposals and arrangements are excluded from that definition.

**4. Reasons for the measure**

Under the terms of the Customs and Excise Agreement the Island is obliged to maintain its Customs regimes in line with that of the UK.

Schedule 17 to Finance No. 2 Act 2017 of Parliament, was applied to the Island by the Customs and Excise (Disclosure of tax Avoidance Schemes) (Application) Order 2021. It lays down the primary rules for reforming the way that indirect tax avoidance is notified to the Treasury.

These Regulations, made under the powers contained in that Schedule, provide the more detailed requirements on promoters of indirect tax avoidance arrangements to disclose their schemes to the Treasury. Once a scheme is disclosed to the Treasury, it may issue a scheme reference number to the promoter, who in turn must pass this number on to all users of the avoidance scheme. Scheme users must inform the Treasury when they are using the scheme.

Expanding the scope of the disclosure regime to encompass all indirect taxes will allow the Treasury early insight into emerging avoidance in these areas.

**5. Resource implications**

It is not expected that this measure would involve any significant resource or revenue implications.

**6. Tynwald procedure**

These regulations are made under Schedule 17 of the Finance No.2 Act 2017, as it has effect in the Island