



## ISLE OF MAN – A GOOD PLACE TO LIVE

As the self styled “Jewel” in the Irish Sea, the Isle of Man (IOM) offers many benefits, if you are looking for somewhere to make your home, either temporarily or permanently.

- Low personal income tax rates and a high personal allowance
- Personal income tax capped for high income earners
- No capital taxes, i.e. no capital gains tax, inheritance tax or wealth taxes
- Sterling currency
- No restrictions on property ownership
- Very low unemployment
- Familiar surroundings, good quality of life, personal security and peace of mind
- Small school class sizes and excellent sports facilities
- Friendly and vibrant social scene
- Direct flights to all major UK and Irish airports, including London, Birmingham, Manchester, Liverpool, Glasgow, Edinburgh, Belfast and Dublin.

### Comparison between the IOM and the UK

<u>IOM Taxes (2010/11 rates)</u>	<u>Thresholds</u>	<u>Rates</u>
Basic personal allowance – tax free income	£9,300	
Additional Age allowance – aged 65 or over (start of tax year – no abatement/reduction based on income levels)	£2,020	
Worldwide income taxed – after personal allowances	£1 - £10,500 £10,501 +	10% 20%
Tax Cap – income over £590,000	£115,000 maximum tax liability	
Capital Gains Tax and Inheritance Tax	None	None
<u>UK Taxes (2010/11 rates)</u>	<u>Thresholds</u>	<u>Rates</u>
Basic personal allowance – tax free income *	£6,475	
Age allowance – aged 65 to 74 **	£9,490	
– aged 75 and over **	£9,640	
* (potentially lose personal allowance depending on income level above £100,000)		
** (reduced by ½ of income above £22,900 – capped at basic personal allowance.)		
Worldwide income taxed – after personal allowances	£1 - £37,400 £37,400 - £150,000 £150,001 +	10%/20% 32.5%/40% 42.5%/50%
Capital Gains Tax	£1 - £10,100 up to 22/6/2010 from 23/6/2010	0% 18% 18%/28% ***
*** (28% applies if a higher rate taxpayer)		
Inheritance Tax on death	£1 - £325,000 £325,001 +	0% 40%



## Tax Scope and Rates

Manx residents are charged to income tax on their worldwide income with Double Tax Relief given where appropriate. The standard rate of income tax is 10% and the higher rate is 20%.

The Individual Tax Cap allows those individuals with substantial income each tax year to pay a maximum tax of £115,000 per annum, or £230,000 for a couple who are taxed jointly.

There are also generous personal allowances and deductions. Loan interest paid is deductible, but is restricted to £10,000 per person each year, providing it is paid to a Manx lender. Tax relief is also available for pension contributions up to £300,000 per annum in certain circumstances.

The IOM's pension legislation makes the Island a particularly attractive place for pension schemes to operate. For further information see our note on "Isle of Man Pension Scheme Changes".

A recent change under the IOM and UK Double Tax Agreement means that pension income will be taxed in the jurisdiction in which the tax payer is resident. Therefore if an individual is resident in the IOM, and receives a UK pension, then it can be paid gross and taxed in the IOM, on a claim being made to H M Revenue & Customs. This is attractive for an IOM resident who would pay a maximum of 20% in the IOM, compared to possibly 50% in the UK.

The IOM authorities have a policy for attracting businesses and wealthy individuals to live here. If you are looking for a low-tax jurisdiction it is definitely a destination to consider.

## Residence

There is little legislation relating to defining residence, thus in most situations UK practice and case law is followed. Generally speaking you will be resident if:

- You spend more than 6 months in the Island in any tax year; or
- The average time spent in the Isle of Man over a 4 year period exceeds 90 days per annum.

There are no restrictions for UK and EU nationals who want to take up residence in the IOM, but a work permit system does apply for new residents. Under normal circumstances a work permit is required for the first 5 years of residence, and the system is designed to give 'Manx' people the first chance to fill vacancies.

If you would like to know more then please contact  
Evelyn Corrin : [evelyn.corrin@crowecw.im](mailto:evelyn.corrin@crowecw.im) , John Cowan : [john.cowan@crowecw.im](mailto:john.cowan@crowecw.im)  
or Elaine Rudge : [elaine.rudge@crowecw.im](mailto:elaine.rudge@crowecw.im)

Crowe Clark Whitehill LLC, 6<sup>th</sup> Floor, Victory House, Prospect Hill, Douglas IM1 1EQ  
Tel: 01624 627335; Fax: 01624 677225; Web: [www.crowecw.im](http://www.crowecw.im)