

## 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
- 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, Belfast and Dublin.

### Comparison between the IOM and the UK

<u>IOM Taxes (2018/19 rates)</u>	<u>Thresholds</u>	<u>Rates</u>
Basic personal allowance – tax free income	£12,500	
Worldwide income taxed – after personal allowances	£1 - £6,500	10%
	£6,500.01 +	20%
Tax Cap – income over £765,750	£150,000 maximum tax liability	
Capital Gains Tax and Inheritance Tax	None	None
<u>UK Taxes (2018/19 rates)</u>	<u>Thresholds</u>	<u>Rates</u>
Basic personal allowance – tax free income *	£11,850	
Married couples allowance – **	£3,360	
– aged 81 and over **	£8,695	
* (potentially lose personal allowance depending on income level above £100,000)		
** (reduced by ½ of income above £28,900 – capped at basic personal allowance.)		
Worldwide income taxed – after personal allowances	£1 - £5,000	0% A
	£5,001 - £34,500	20%
	£34,501 -£150,000	40%
	Over £150,000	45%



A – Starting rate only available on savings income when non-savings income is less than the savings rate band, otherwise 20%

Capital Gains Tax	£1 - £11,700	0%
	£11,701 +	10%/20%***

\*\*\* (28% applies on residential property no eligible for Principle Private Residence relief, and carried interest)

Inheritance Tax on death	£1 - £325,000	0%
	£325,001 +	40%

#### Tax Scope and Rates – Isle of Man

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 £150,000 per annum, or £300,000 for a couple who are taxed jointly. An election for the tax cap will apply for 5 consecutive years.

There are also fairly generous personal allowances and deductions. A tax deduction at 10% is available for Mortgage/Loan interest paid providing it is paid to a Manx lender. This is given by way of reducing the tax due, but the relief is restricted to £5,000 per person each year so that the maximum deduction is £500. Tax relief is available at 10% for the cost of residential/nursing homes subject to a maximum relief of £12,500 per Individual.

Tax relief is also available for pension contributions up to £50,000 per annum in certain circumstances.

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

Under the IOM and UK Double Tax Agreement pension income is 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, it can be paid gross and taxed in the IOM only, following a claim being made to H M Revenue & Customs. This is attractive for an IOM resident who will pay a maximum of 20% income tax in the IOM, compared to possibly 45% 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.



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## Residence

There is little legislation relating to defining tax residence. The Isle of Man Division's Practice Note 144/07 sets out their practice. 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**

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