

Doing Business in the Isle of Man

Expert knowledge means success

Contents

- 1. Introduction
- 1. Industries
- 4. Economy
- 4. Population
- 4. Climate
- 4. Geography
- 5. Government Structure
- 5. Establishing a Business in the Isle of Man
- 7. Taxation
- 8. Exporting from the UK
- 9. Importing to the UK
- 9. Customs duties
- 9. Terms of Payment
- 9. Advertising and Marketing
- 9. Transport and Travel
- 10. Travel Advice
- 10. Passports/Visas
- 10. Country Data
- 10. Useful Contacts
- 11. Further Information

Introduction

The Isle of Man is an island in the Irish Sea, situated between Great Britain and Ireland. It is an internally self-governing dependent territory of the Crown that is not part of the United Kingdom. The island has a special relationship with the European Union set out in Protocol 3 to the United Kingdom's Treaty of Accession.

Tynwald, the island's 1000 year old Parliament, makes its own laws and oversees all internal administration, fiscal and social policies. Both individuals and companies who are resident in the Isle of Man for income tax purposes enjoy complete independence from the United Kingdom on matters of direct taxation.

The island's Department of Trade and Industry offers numerous incentives to investment. Personal tax starts at 10% and since April 2006 has been capped at £100,000. The standard rate of corporation tax was reduced in April 2006 to zero. This is the final stage of a fiscal policy that has been introduced in stages over a five year period. During that time, various industry sectors have been removed from the tax net, leaving only land and property income from Manx sources and banking business trading profit liable to a 10% corporation tax. Banking income derived from other sources is zero rated for corporation tax. The Treasury is now considering introducing a capping regime on the corporation tax payable by companies within those sectors still liable for corporation tax. The zero corporation tax initiative coupled with the capping of the personal tax liability is expected to encourage key company executives to the island. Tax exiles are encouraged. Government relocation packages offering up to 40% reimbursement of relocation costs and other set-up costs, and up to 50% reimbursement for training if a business is also relocated are on offer.

The demise of the tax exempt company and its regulations governing local interest and activity is expected to boost the island's revenues as it benefits from VAT on own trades and payroll tax from senior employees.

The launch of the Isle of Man Companies Act 2006 on 1 November 2006 radically reformed company law and particularly appeals to the specialist offshore sector and further positions the Isle of Man as a leading centre for international business.

Government grants and assistance are available to encourage the development of high added value manufacturing and services, film and media activities, e-Business and company headquarters. More than £50 million of investment in commercial projects has been made over the last decade. The Government is also investing £100 million in further enhancing infrastructure as public services.

The government's policy of offering incentives to high-technology companies and financial institutions to locate on the island has paid off in expanding employment opportunities in high-income industries. Offshore banking, manufacturing, and tourism are all key sectors of the economy: banking and other services now account for nearly half of GDP.

The Isle of Man enjoys free access to EU markets and its biggest trading partner is the UK. The economy is growing, unemployment is less than 1% and the per capita national income is around 10% higher than other European countries.

Industries

The Isle of Man is positioning itself to appeal to new technology businesses - for example e-commerce businesses and international money transaction businesses - that do not require large numbers of workers to produce manufactured goods or financial products. Such businesses are geographically mobile in that they can easily move their profit base to the Isle of Man to boost their overall global performance while most of their support services and staff remain in the UK.

Current key industry sectors are:

Financial

The island's banking industry is dominated by subsidiaries or branches of the main UK clearing banks, although there are many other UK and foreign banks and also branches and subsidiaries of major UK building societies. Whilst the island's currency is sterling, deposits are accepted in all major currencies of the world. The banking system is similar to that in the UK.

The Isle of Man is rapidly growing as an international finance centre regulated by the Financial Supervision Commission (FSC), and the Insurance and Pensions Authority (IPA). The Financial Supervision



The three legs symbol seems to have been adopted in the Thirteenth Century as the armorial bearings of the native kings of the Isle of Man, whose dominion also included the Hebrides - the Western Isles of Scotland. After 1266, when the native dynasty ended and control of the Island passed briefly to the Crown of Scotland and then permanently to the English Crown, the emblem was retained, and among the earliest surviving representations are those of the Manx Sword of State, thought to have been made in the year 1300 AD. The Three Legs also appeared on the Manx coinage of the seventeenth-nineteenth centuries, and are still in everyday use in the Manx Flag.

All the early examples of the Manx "Legs" show them as if running sunwise (i.e. clockwise) and to that extent the heraldic symbol of the Island still retained an essential feature of the ancient pagan sun-symbol. Although sometimes drawn anti-clockwise, that is singularly inappropriate.

Commission licenses and supervises all banks, investment businesses, collective investment schemes and building societies carrying out business in the island.

EU Savings Directive

The European Union Savings Directive (EUSD) came into force on 1 July 2005. Its main purpose is to allow tax authorities to share information about savings income payments made to individuals. It is designed to help to ensure that savers and investors pay the correct tax on their savings income in their country of residence.

The introduction of the EUSD has had little impact on the performance of local banks that have seen an increase in deposits of 18% on the previous year.

Although the Isle of Man is not part of the EU, they agreed to introduce measures equivalent to the EUSD. This was on the condition that all 25 EU Member States, European third countries and associated territories also adopted either the EUSD or equivalent measures. The Isle of Man's equivalent measures include entering into bilateral agreements with each of the EU Member States and the introduction of the Income Tax (Retention of Tax and Exchange of Information) Order 2005.

The aim of the EUSD is to have automatic exchange of tax information between countries; however, during a transitional period, it allows either for the exchange of information or for a withholding tax to be deducted from the savings income. Most of the countries within the EU, including the United Kingdom, have introduced the exchange of information regime. The Isle of Man, three EU Member States (Austria, Belgium and Luxembourg), and many of the non-EU countries involved have introduced the transitional withholding tax system (referred to in the Isle of Man as retention tax). Even within the withholding tax system, people can elect for exchange of information if they wish.

It is important to note that the Isle of Man has agreements with the EU Member States only. Information or retention tax can only pass between countries and jurisdictions having agreements with each other.

Isle of Man residents with savings accounts in the Isle of Man will not be affected by the EUSD or equivalent measures. Isle of Man

residents who have a savings account in an EU Member State, such as the UK, will be affected by the EUSD. National Savings & Investments accounts or products (including premium bonds) are UK accounts and therefore may be subject to the EUSD.

Where the EU Member State is operating exchange of information, it will send the Assessor information about the interest paid to the Isle of Man resident.

Where the EU Member State is operating a withholding tax, this will be deducted from the interest paid and 75% of the tax will be sent to the Isle of Man Treasury. The rates of withholding/retention tax will be 15% for the first 3 years, 20% for the subsequent 3 years and 35% thereafter.

For guidance on the application of the EUSD visit:
www.gov.im/lib/docs/treasury/incometax/eusd.pdf

Shipping

Ships have been registered in the Isle of Man for over two hundred years. The Isle of Man Shipping register is an independent quality international British Register which offers the necessary services at highly competitive costs to ship owners. As the Manx Shipping Register is a British Register, ships registered in the Isle of Man are British ships. Expertise exists in ship management, ship finance, marine insurance and maritime law. The Isle of Man is a flag of choice for many of the world's super yachts.

Manufacturing

The Manufacturing Sector is a main provider of full-time employment, second only to Finance in terms of growth and contribution to the economy. Some two hundred firms are engaged in this sector, varying from small family concerns to major employers. All are eligible for support from the Government under a discretionary financial incentive scheme designed to encourage the growth and development of exports and to increase the range of employment opportunities available to the island's people. 80% of the world's thermostatic kettles and all of the carpet slippers sold at Marks & Spencer are made in the Isle of Man.

Tourism

The Isle of Man is famous for the TT festival which attracts tourist trade. Tourism in general in the Isle of Man has slowed down

Good news for Registers

The Round Table of international shipping associations declared the Isle of Man the best shipping registry in the world in its annual Flag State Performance Table at the end of 2006.

Simpler registration process for Ship Register

New policy changes include:

- A waiver of the pre-registration survey by an IOM surveyor for vessels under 10 years of age, where a new vetting process has established the suitability of both ship and operator. This includes new buildings and should significantly reduce the cost and simplify the process;
- An increase in the qualified ownership criteria for IOM Registered vessels;
- Changes to accepted types of vessels to include passenger vessels;
- Extensions of the age limit for vessels on entry subject to certain conditions;
- Future developments to improve online access to the register and simplify payments and other transactions.

Source: IOM financial review April 2008

Update on Aircraft Register

During one week in October 2007, the Isle of Man's new aircraft register added five multi-million pound jets for international companies at manufacturers' factories in the United States, Canada and France. Launched only in May 2007, the register has already attracted 25 private jets and helicopters – all now bearing the prefix 'M' for Mann on their fuselages.

Source: IOM financial review January 2008

over the decades and tends to be of the short break and specialist 'niche' variety rather than the family holiday. The Isle of Man is well-placed to develop further walking and activity holidays; the market for heritage and vintage transport, and motor sport events beyond the TT festival.

Agriculture, Fishing and Forestry

These traditional industries still provide considerable employment and have political, social and strategic importance. A wide range of financial support measures and services by way of grants, loans and subsidies to farmers and growers are offered by the Department of Agriculture, Fishing and Forestry. Also provided are advisory/technical services relating to disease and pest control, all aspects of agronomy, animal husbandry, farm management, horticulture and the fishing industry.

Films

The island is a popular location for the production of films, due to government funding and financial incentives. There are also a wide variety of filming locations on the island from busy towns to rural countryside and small villages. You can access the Isle of Man guide to films at: www.iomguide.com/manxfilms.php

The Isle of Man Film Commission website also has very useful information for film makers (www.gov.im/dti/iomfilm/). Over recent years, the Isle of Man has built a worldwide reputation for co-financing and co-producing feature film and television dramas. They have become one of the busiest areas of film production in the British Isles, having produced over 60 films and TV dramas since 1995.

The unique combination of potential production finance, a wide variety of natural locations, a purpose-built 11,200 sq ft sound stage at Island Studios, together with a film-friendly Government and population makes the Island a desirable place to make movies and television dramas.

Space

Over the past five years, the Isle of Man has steadily built a portfolio of space-related businesses and incentives and the Island is now recognised as a significant niche player. Proposed legislation in the Island will ensure compatibility with existing international space law. The Island is thus well-placed to take advantage of space developments, particularly

in space tourism and extending in the future to the possibility of mineral extraction. The Island is host to the world's first International Institute for Space Commerce (IISC), which is based at the International Business School in Douglas and opened in October 2008.

Aviation

The Isle of Man Aviation Register opened for business in March 2007 and was designed to attract owners of private, non-commercial aircraft in Europe. A Registry in a European time zone was required to look after the steadily increasing number of European-owned aircraft. Generally, a purpose trust is established to own the aircraft but specialists in the Isle of Man can provide appropriate guidance.

E-Business

The Isle of Man offers an ideal location to facilitate the growth of global e-business. With a first-class telecommunications structure and a low tax environment, it is able to attract e-business from around the globe. It is a key location for high-tech financial services and continues to develop its legal and technological structure to cope with growing business demand. It offers comprehensive support services such as website design, software and hardware suppliers and internet payment gateway facilities.

E-Gaming

The Isle of Man Government is committed to the development of internationally competitive e-gambling business environment. A highly advanced technical and telecommunications structure, low duty and a zero-rated structure enable the Island to be at the forefront for future expansion.

Economy

The Isle of Man's Government has encouraged economic growth by creating a beneficial tax regime and by offering financial incentives to manufacturing and tourism. The economy of the Isle of Man grew at a rate of 10% a year between 1997 and 2002 and is currently growing at an estimated rate of 8%.

This booming economy is largely due to the success of the financial services industry - the largest sector on the island. The main activities of the sector include deposit-taking, asset protection and management, packaged investments such as unit trusts, life assurance and also corporate management. Markets for

these services are world-wide. Regulation of the finance sector in the Isle of Man is carried out by the Financial Supervision Commission and the Insurance and Pensions Authority.

Offshore banking, manufacturing, and tourism are key sectors of the economy. The government's policy of offering incentives to high-technology companies and financial institutions to locate on the island has paid off in expanding employment opportunities in high-income industries. As a result, agriculture and fishing, once the mainstays of the economy, have declined in their shares of GDP.

One consequence of the economy's performance has been an ongoing strengthening of public finances. Over the last eight years alone Treasury's receipts more than doubled to stand at almost £0.6bn in 2008/9. An important element of the Island's fiscal strength is the long established and self imposed legislative requirement that Government must budget for a surplus in respect of its annual revenue spending. Whilst meeting this requirement Government has continued to invest in developing and updating the Island's infrastructure for economic as well as social benefit. This overall strength in the public finances has been recognised in the continued triple A ratings from credit agencies S&P and Moodys.

The Island's unemployment rate had been below 1½% for nearly a decade, but since the autumn of 2008 it has risen to stand (at March 2009) at 2.2% of an economically active population of nearly 43,000. Recruitment for employers is considerably eased through the freedom to attract and transfer personnel from off-Island. Although the Island operates a work permit system, it does so liberally, as evidenced in the information that shows around 11,000 permits being granted annually and refusals running at below 100 a year. The ability to bring in labour from outside is a key factor in constraining local wage pressures. Increases in mortgage rates and energy prices conspired to push retail price inflation on the Island to over 6% in 2008, but with the falls in these same items the current rate (March 2009) is just 0.5%. Expectations are for the rate to remain very low in the short term in the low interest rate environment and with commodities prices now relatively subdued. The combination of full employment, low mortgage rates, rising disposable incomes and an expanding population has supported

local house prices over the last year but prevailing wider economic conditions and some restrictions evident in local credit availability may well see a reversal of house price trends over the course of 2009.

Population

The Isle of Man currently has a population of just over 82,000 (Source: World Bank 2010) of whom more than 40,000 are economically active (the 2006 census recorded that the Isle of Man's economically active population was 41793). It is a well educated population with no recorded poverty and with just 1.5% registered as seeking work. The natives represent 48% of the population.

Climate

The climate is similar to that of the UK. Due to the influence of the Irish Sea, the Island enjoys a temperate climate with cool summers and mild winters. Snowfall and frosts are infrequent however it is generally overcast for one-third of the time.

Geography

The Isle of Man is both located centrally in the Irish Sea and the British Isles and despite its small size of 33 miles (52 kilometres) long and 13 miles (22 kilometres wide), the island contains a wide variety of stunning scenery - it is said the Isle of Man is like a miniature version of Britain. A large majority of the island's population lives in and around the capital town and financial centre of Douglas with other principal settlements at Onchan, Ramsey, Peel, Castletown, Port Erin and Port St. Mary.



New Companies Act

On 1 November 2006 the Isle of Man Companies Act 2006 came into force. The Act marks the biggest change in Isle of Man Company Law for seventy-five years and updates and modernises the Island's Company Law, by introducing a new simplified corporate vehicle into Isle of Man Law. The reforms are designed to further enhance the Isle of Man's status as a leading center for international business.

Key elements of the new Act include:

- Greater flexibility of use;
- Simplified reporting including more flexible annual returns;
- Use of regulated corporate directors/one Director individual or corporate;
- Use of registered agents, in place of company secretary (a role performed by licensed corporate service providers);
- Unlimited corporate capacity but restricted objects permissible;
- No preclusion of financial assistance;
- Pre-incorporation contracts can be adopted;
- Simple merger and consolidation procedures;
- Introduction of protected cell companies for general business use;
- Simplified corporate re-domiciliation from other jurisdictions.

The Act has been designed for a range of corporate transactions. It is expected to be particularly used for public offerings, securitisations, asset and project finance. It will extend the already significant number of Isle of Man incorporations that are handled by the Island's Law Firms and licensed Corporate Service Providers, both directly and on behalf of London based lawyers and brokers, in particular in connection with AIM admissions and the establishment of both open and closed-ended investment funds.

For more information visit: www.isleofmanfinance.gov.im or view the Company Act brochure at: www.gov.im/lib/docs/iomfinance/brochures/finalcopy.pdf

Government Structure

The Isle of Man is an internally self-governing dependent territory of the Crown that is not part of the United Kingdom. Tynwald, the island's 1000-year-old bicameral Parliament, makes its own laws and oversees all internal administration, fiscal and social policies. The UK Government administers external issues, such as foreign representation and defence on the island's behalf and the island makes an annual payment for these services. As a British Crown dependency, the ultimate responsibility for the Island's good government is vested in the Crown however by long standing convention; the UK Government does not legislate for the Island except with the specific consent of the island's government.

The chief of state is the Lord of Mann - Queen Elizabeth II who appoints a Lieutenant Governor to represent her for a five-year term. The Isle of Man is governed by a Council of Ministers which comprises the Chief Minister and the Ministers of nine Government Departments, each of which is a separate legal entity with its own functions, powers and responsibilities. The Chief Minister is elected by the Tynwald every five years. The 2011 general election brought several changes to the line-up for the next political term in the House of Keys

Establishing a Business in the Isle of Man

A foreign company or investor proposing to establish a business in the Isle of Man may choose from a number of different business organisations:

- Limited Liability Companies;
- Overseas Branch;
- General Partnership;
- Limited Partnership;
- Sole Trader;
- Trusts.

The Isle of Man government provides a helpful publication: Guide to Isle of Man Trust, Partnerships and LLCs available at: www.gov.im/lib/docs/iomfinance/brochures/form2.pdf

Limited Liability Companies

As in the UK, Limited liability status provides the owners of a company with protection against loss of personal assets if the business being undertaken through it should fail. However, there are differences between Limited Liability Companies in the UK and the Isle of Man and professional advice should be sought before forming a company particularly in light of recent changes to Company legislation in the Companies Act 2006.

A company can be incorporated or continued under the Companies Act 2006 as:

- a company limited by shares;
- a company limited by guarantee;
- a company limited by shares and by guarantee;
- an unlimited company with shares; or
- an unlimited company without shares.

Every company incorporated under the Companies Act 2006 is a legal entity in its own right separate from its members and continues in existence until it is dissolved. In addition, every type of company must at all times have at least one member.

Distinction Between Public and Private Companies

The Companies Act 2006 does not distinguish between public and private companies. Under the Companies Acts 1931-2004 private companies are prohibited from offering their shares or debentures to the public. If such a company does offer its shares or debentures to the public it will be deemed to be a public company and it is obliged to comply with prescriptive prospectus requirements and file a copy of its prospectus or statement in lieu of prospectus with the Isle of Man Companies Registry within a prescribed time period. In addition, the name of a public company must end with the words "plc" or "public limited company".

No such restrictions apply under the Companies Act 2006. All types of company can offer their shares or securities to the public, whether the names of such companies end with the words "Limited" or "public limited company" or otherwise.

The Role of the Registered Agent

The idea of the registered agent is a new concept introduced into Isle of Man law by the Companies Act 2006. It is a fundamental principle of the Companies Act 2006 that

every company incorporated under the Act has, at all times, a registered agent in the Isle of Man. In fact, the failure by a company to have a registered agent is one of the grounds upon which a company can be struck off the register by the Registrar of Companies. In addition it is a criminal offence under the Act for a company not to have a registered agent.

The registered agent is one of the key people responsible for ensuring that a company is properly administered and various statutory registers and documents have to be maintained at the office of a company's registered agent. In addition, only the registered agent of a company is permitted to make certain filings with, and submit certain applications to, the Registrar of Companies.

Only persons holding the appropriate licence granted by the Isle of Man Financial Supervision Commission under the Isle of Man Fiduciary Services Acts 2000 and 2005 can act as registered agents.

Incorporating a Company

One or more persons can form a company for any lawful purpose by completing a number of simple forms and subscribing their names to the memorandum of association.

Only registered agents are authorised to file an application for the incorporation of a company. The Registrar of Companies will not accept an application for the incorporation of a company from any other person.

Upon receipt of the proposed memorandum of association and the proposed articles of association documents, the Registrar of Companies will register them, allot a unique company number to the company and issue a certificate of incorporation to the company. The memorandum and articles of association of a company will be a matter of public record.

The Isle of Man Companies Registry is part of the Financial Supervision Commission, also responsible for the administration of legislation relating to foreign companies, limited liability companies, business names, limited partnerships and societies incorporated under the Industrial and Building Societies Acts. For more information on the The Companies Registry, visit:

www.fsc.gov.im/about/makingcontact.xml/

Company Domicility

Companies may re-domicile in and out of the Isle of Man. Companies conducting licensable business, e.g. banking, investment, insurance or corporate service provider business, will however be subject to additional regulatory approvals.

Overseas Branch

A foreign company wishing to establish a branch of an overseas company in the Isle of Man must register as such within one month of setting up. Once registered, the foreign company will be treated in the same way as a Manx company, and can take exempt or international status if appropriate.

General Partnership

In a General Partnership, Partners may be individuals or companies and their liability is unlimited. Partnership names must be registered if they differ from the surnames of the partners.

Limited Partnership

In a Limited Partnership (LP), partners may be individuals or companies. An LP must have one or more general partners with unlimited liability, and one or more limited partners who are liable only to the extent of their capital contributions. A limited partner does not take part in the management of the partnership and is not entitled to dissolve the partnership by notice. Generally, a partnership may have up to twenty partners; but there are some industry specific restrictions, e.g. there may only be up to ten partners. Limited partnerships must be registered as such, or they may be deemed to be general partnerships.

Sole Trader

A sole trader has unlimited liability, and must be registered at the General Registry if the business name is other than the name of the sole trader.

Trusts

The law of trusts is based on the English law. Trust documents are in English, and there is no stamp duty payable and no registration requirement. There are no restrictions on the accumulation of income during the normal perpetuity period of 80 years.

The Trusts are governed by numerous acts including The Trusts Act 1995 which establishes that both for Manx trusts and for foreign trusts migrating to the island, Manx

Withdrawal of the Attribution Regime for Individuals

A key measure announced in the Minister's first Budget speech in February 2011 was the withdrawal of the Attribution Regime for Individuals (ARI). ARI was withdrawn following expectations that the tax anti-avoidance mechanism would be declared harmful under the European Union Code of Conduct for business Taxation.

The removal of ARI is expected to ease the concerns of the Code group over the zero-ten tax structure.

ARI was designed to discourage Isle of Man resident shareholders from avoiding personal tax by rolling up their income in companies, which are charged at the 0% rate.

ARI will be withdrawn from 6 April 2012.

Source: Isle of Man Economic Review, July – August 2011

law is conclusive and will overcome any forced heirship provisions emanating from civil law jurisdictions. Trusts used for Investment Funds (Unit Trusts) are governed by the Prevention of Fraud (Investments) Act 1968.

Taxation

Individuals and companies who are resident in the Isle of Man for income tax purposes enjoy complete independence from the United Kingdom on matters of direct taxation. There are no death or estate duties, capital transfer or gifts taxes, capital gains or wealth tax and no stamp duties on property purchases.

Direct Taxes - Individuals

The Isle of Man is a low tax area with a standard rate of income tax of 10% and a higher rate of 20%. For the income tax year 2011/2012 the standard rate is charged on the first £10,500 of taxable income of a single person and the first £21,000 of taxable income of a married couple. Any balance over these limits is charged at the higher rate. The taxable income figure is arrived at after giving relief for certain deductions such as interest paid (no limit on mortgage interest) and various personal allowances. For 2011/2012 the single person's allowance is £9,300 and a married man and a married woman each receive £9,300 fully transferable to either spouse thus giving a combined allowance of £18,600. For details of other current additional personal allowances visit: www.gov.im/treasury/incometax/sections/employers/ratesandallowances.xml?menuid=17414

In 2006, the Isle of Man introduced a cap on individual tax liabilities. A resident individual can be certain that his or her final tax liability for a year will not exceed £115,000 (2011-12). Tax will be computed in the normal way, allowances will be granted, deductions and reliefs allowed and rates applied, but if the resulting liability exceeds £115,000 (2011-12) then the cap will be applied. The amount of the cap is doubled for a married couple should they choose to be jointly assessed.

The question of residence for an individual is determined on standard taxation principles. Being present in the island for 6 months in any income tax year will make that person resident.

Equally, regular visits to the island may well create a residence situation. There is, however, an important short term residence concession which makes it possible for a person who owns a property on the island to spend not more than four months in any two consecutive years in the island and not be liable to Manx income tax. Individuals who are resident are required to file an annual return of their worldwide income. Married couples may elect for separate assessment if they so wish. Remuneration from employments and Manx source pensions is assessable on the basis of the income of the current year; income from self-employment and investments is normally assessed on the basis of the income of the preceding year.

A Double Taxation Agreement exists between the United Kingdom and the Isle of Man. This was entered into in 1955 and provides for the granting of relief from double taxation on certain incomes passing between the two countries. Specific exclusions from the Agreement include company dividends, debenture interest and relevant activities on the Continental Shelf. In addition to the Agreement, an individual who is a resident of the island is entitled to make a claim to HM Revenue & Customs to have a full UK personal allowance set-off against taxed and other income received from that country. Where income has suffered an overseas withholding tax there is the provision to claim double taxation relief. The amount of the relief is based on the lower of the overseas tax suffered or the Manx tax charged on the income.

Fourteen countries have also signed tax information exchange agreements (TIEAS) with the Isle of Man. These are the US, the Netherlands, Sweden, Norway, Iceland, Greenland, the Faroes, Denmark, Finland, Ireland, the UK, Australia, Germany and France. While each agreement differs slightly, depending on individual national policy, they set out agreed tax arrangements on inward and outgoing income to alleviate the risk of businesses incurring bills for double taxation and remove tax obstacles that could stifle shared business interests.

There are two forms of local withholding tax. The first is a version of pay-as-you-earn known as Income Tax Instalments Payment (ITIP) and is applied against earnings received from employments. The second is the requirement to deduct 20% from the payment of income to a non-resident person. This second requirement is waived in the

Special FT Report (November 2012)

On 15 November 2012, the Financial Times published a special report into Doing Business in the Isle of Man.

It showcases the strength and diversity of the Island's business community and highlights a number of sectors that have contributed to 28 years of unbroken economic growth. The report is available at: <http://www.wheretheyoucan.im/ibweb/res/pdf/articles/FT-Report-Doing-Business-in-the-Isle-of-Man.pdf>

case of bank interest, building society interest and dividends from certain listed companies which may instead be paid gross.

Direct Taxes - Companies

Prior to April 2006, a trading company resident in the Isle of Man which did not have any associated companies was liable to income tax at 10% on the first £100,000,000 of its taxable income and at 15% on the excess.

Details of current rates of tax for companies are available at:

<http://www.gov.im/treasury/incometax/technical/companies.xml>

Indirect Taxes

Customs and Excise duties, value added tax and import and export controls on certain goods apply in the Isle of Man, but there are no customs barriers between the UK and the island.

Details of VAT in the Isle of Man are available at:

<http://www.gov.im/treasury/customs/>

The Isle of Man has the statutory authority to levy its own rates of duty and tax, but an agreement exists between the Governments of the UK and Isle of Man whereby the Isle of Man keeps its indirect taxation closely aligned with that in the UK. VAT is levied with the same general rate and threshold as the UK.

The island does not levy Insurance Premium or Landfill Tax. The Isle of Man also has a special relationship with the European Union under Protocol 3 of the Act of Accession of the UK and the Customs and Excise Agreement with the UK and is required to apply the Common Customs Tariff and equivalent measures to those operated in the UK under the Common Agricultural Policy. This entitles goods of Manx origin to free circulation status within the European Union through the Single Market procedures. The Isle of Man has its own Customs and Excise administration, which is completely independent of the UK Customs and Excise service, and collects the duties and taxes arising in the island and applies the same import and export controls as those in the UK.

Exporting from the UK

The Isle of Man is considered as part of the UK for Export purposes and licences are therefore not required for goods exported to the Isle of Man from the UK. If you wish to export goods from other countries to the Isle of Man, you should check with HM Revenue & Customs to see if a licence is required. For further information visit: www.hmrc.gov.uk

UK Trade and Investment

The UK Trade and Investment Export Finance team encourages the availability of competitive export finance to all UK companies seeking to export goods or services or invest overseas. For further information visit: www.uktradeinvest.gov.uk

Export Credits Guarantee Department (ECGD)

ECGD can provide insurance or arrange medium/long-term finance packages in a wide range of markets worldwide for UK exporters of capital goods and projects. They can also provide contacts for private sector insurance for UK exporters of consumables. For more information on how ECGD may be able to help you visit the ECGD website at: www.ecgd.gov.uk or contact their helpline: Tel: 020 7512 7887.

Technical Help for Exporters

Technical Help for Exporters (THE) is a service provided by the British Standards Institution (BSI) to provide information and advice on compliance with overseas statutory and other technical requirements. THE produces a wide range of publications and provides a special updating service of information in some product fields. THE can supply detailed information on foreign regulations; identify, supply and assist in the interpretation of foreign standards and approval procedures; research and consult on technical requirements for a specific product; and provide translations of foreign standards, items of legislation and codes of practice. Fees vary according to the amount of work involved.

For further information visit the British Standards Institution (BSI) website at: www.bsi-global.com/

Importing to the UK

The Integrated Tariff of the United Kingdom contains helpful information on Importing or Exporting. It includes references to the relevant laws and regulations. Although the UK version is called the “Integrated Tariff of the United Kingdom”, the same format is used throughout the EC. For further information, visit: www.hmrc.gov.uk

The Isle of Man is considered as part of the UK for import purposes.

Customs duties

The island is a customs territory of the EU, but not a member. There are no customs barriers between the UK and the Isle of Man. For VAT purposes the Isle of Man is treated as part of the UK. If you have customers or suppliers in the Isle of Man, the VAT rules are the same as if they were in the UK. Goods sent from the UK to the Isle of Man or vice versa are not regarded as imports or exports for VAT purposes.

Terms of Payment

International UK banks can provide advice on payment, credit management, short term credit insurance and factoring. Generally speaking, any of the customary methods of payment used in international commercial transactions can be used when doing business with Isle of Man companies.

Advertising and Marketing

“Isle of Man Advertising & PR” is the sole agent for all advertising and marketing opportunities at IOM Airport and IOM Sea Terminal. They can be contacted at: www.isleofmanadvertising.com or at

Isle of Man Advertising & PR
Milbourn House
13 St Georges Street
Douglas, Isle of Man, IM1 1AJ
01624 620440

Transport and Travel

Air

The island’s Ronaldsway airport is located near Castletown, 9 miles to the south of Douglas, and handles some 650,000 passengers a year. The main operator of scheduled passenger and freight services is British Airways which serves the Isle of Man from Manchester, Gatwick and Luton. Other scheduled passenger and freight services are flown by British North West Airlines, eastern Airways, EuroManx, Flybe and VLM airlines. Mann Link Travel own and operate www.manxflights.com, an online booking service for airlines servicing the Isle of Man.

Frequent flights are provided to and from Gatwick, Luton, Manchester, Liverpool, Belfast, Blackpool, Birmingham, Glasgow, Leeds/Bradford, Cardiff, Jersey and Dublin. There are also daily connecting flights linking the island to Aberdeen, Bristol, Newcastle, Southampton and many international destinations.

Sea

The island’s principal port is Douglas which has deep-water berths and facilities for handling passengers, roll-on/roll-off cars and freight vehicles, general cargoes, bulk oil and gas cargoes, and is a regular port of call for cruise liners. Peel, on the west coast, has a deep water berth and facilities for handling limited passenger traffic, general and bulk oil cargoes.

Ramsey in the northeast is a drying harbour with a busy trade in general and bulk cargoes. The island’s main sea route is between Douglas and Heysham, a modern port in the northwest of England, closely linked to Britain’s motorway and Intercity rail networks.

The Isle of Man Steam Packet Company operates multi-purpose and freight roll-on/roll-off vessels on this route providing daily services throughout the summer months for passengers, cars and freight vehicles. During the winter the Steam Packet has scheduled services to Liverpool every Saturday and Heysham for the remainder of the week. In the summer months the Steam Packet operates additional routes for holiday traffic to Dublin, Belfast and Fleetwood as well as extra sailings to Liverpool.

Mezeron Ltd. operates a fleet of two coasters carrying containers, general and bulk cargoes trading mainly to Manx ports from Glasson Dock in northwest England and Carrickfergus in Belfast Lough. The Ramsey Steamship Company also operates three coasters trading between ports in the Irish Sea basin.

Roads

The Isle of Man has over 500 miles of relatively uncongested public roads and many more miles of public footpaths. Manx law on road traffic is similar to that of the UK. Douglas and other major towns all have their own taxi-fleets, and the Government is also responsible for a comprehensive all-island bus service.

The Island's Post Office became independent of the British Post Office in 1973 and provides a comprehensive, efficient range of services similar to those in the UK and which are geared to the finance sector. All letter mail posted locally is treated as first class. Outgoing letters are sent by chartered aircraft daily throughout the week enabling next day delivery in the UK. Parcels and large packages of up to 30 kg are conveyed in and out of the island daily by sea.

Telecommunications

Manx Telecom Limited is an Isle of Man registered company and a wholly owned subsidiary of British Telecom. Since Manx Telecom was created in 1987 there has been a rapid development of the island's communications services. Investment has been significant. Manx Telecom now provides Manxnet ADSL and SDSL Broadband services at speeds of up to 40MB (see: <http://www.manxtelecom.com/>).

Blackberry services are now available to allow users to send and receive e-mails on the move. Cable & Wireless also launched its Sure mobile network in summer 2007 to support e-mail, internet, PowerPoint, conference calling and other services.

Travel Advice

The UK has reciprocal healthcare agreements with the Isle of Man. No documentation is required for UK citizens to receive healthcare and as in the UK, NHS treatment is free.

Passports/Visas

A passport need not be produced when visiting the Isle of Man from any of the British or Republic of Ireland sea ports or airports. If you are a British Citizen then you do not require any clearance from the Immigration Office to live on the Island, however a work permit may be required to work here. More information on residency can be found at:

www.gov.im/IsleOfMan/Residency.xml

Useful Contacts

CIA Factbook

www.cia.gov/cia/publications/factbook

Isle of Man Chamber of Commerce

www.iomchamber.org.im

Isle of Man Government Website

www.gov.im

Isle of Man Finance

www.isleofmanfinance.com

Isle of Man Income Tax Website

www.gov.im/treasury/incometax

Isle of Man Information Website

www.isleofman.com

UK Trade and Investment

www.uktradeinvest.gov.uk

Country Data

Feature	Country Data
Local time	GMT.
Population	82,000 (Source: World Bank, 2010)
Capital City	Douglas
Language /Religion	The languages are English and Manx Gaelic. The religions are Anglican, Roman Catholic, Methodist, Baptist, Presbyterian and Society of Friends.
Area	The land and water area is 572 sq km.
Public holidays	Public holidays are shown at: http://www.gov.im/treasury/finance/bank_holidays.xml
International dialling code	00 44
Local currency	British pound (GBP). There is also an equivalent Manx pound.
Weights and measures	As with the United Kingdom, the Imperial measurement system is used in the Isle of Man but the Metric system is being adopted.
Electricity supply	240 volts

Further Information

This publication is for general interest - it is always essential to take advice on specific issues. We believe that the facts are correct as at the date of publication, but there may be certain errors and omissions for which we cannot be responsible.

If you would like to receive further information about this subject or other publications, please call us – see our contact details on the next page.

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