

Moving to the Isle of Man: What you need to know

KPMG in the Crown Dependencies

Making the move

Deciding to relocate is without doubt a huge decision and tax is just one factor to consider when choosing your next destination.

Most of the families we work with are not driven by fiscal matters but by other factors such as standard of living, education, political stability, culture, safety and how these combine with the tax system to provide an outstanding standard of living.

The Isle of Man is an independent jurisdiction with its own legal and tax system, it is not part of the EU or the UK but has a unique constitutional relationship as a British Crown Dependency. It is also considered to be part of the UK for VAT purposes.

The outdoor lifestyle, culture and cuisine all contribute to a fantastic standard of living.

The Isle of Man's proximity to the UK but independent fiscal policy and island lifestyle mean that many have chosen the Island as their ideal new place of residence, and many continue to do so.

Some of the factors contributing to making the Isle of Man an incredible place to live include the following.

Travel

No long commutes allowing for more productive time in your day.

Social

A welcoming community with an abundance of active groups, including sport and the arts.

Safety

Virtually no crime.

Location and Connectivity

Easy connectivity to the UK and a gateway to the rest of Europe, with daily flights and ferry crossings.

Low Taxes

There are no wealth taxes, capital gains taxes or estate taxes, with a headline 0% corporate income tax rate and a higher rate of 20% for personal income tax. There is also an attractive tax capping regime detailed in the next section.

The Isle of Man offers an internationally compliant personal and corporate tax regime including Double Tax Agreements with the UK and various other jurisdictions.

Internationally Regulated and Compliant

The Island has adopted the highest international standards regarding information exchange and transparency.

Professional Services

As an International Finance Centre the Island has a long history of supporting private wealth as well as the infrastructure, personnel, regulation and legal system to support the sector to thrive.



Isle of Man Tax Summary

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Tax Residency

An individual will be regarded as tax resident in the Isle of Man if:

- he/she/they is physically present in the Isle of Man for more than six months in the tax year; or
- he/she/they is present in the Isle of Man for an average of more than 90 days in each tax year over four consecutive years, in which case the individual will be treated as Isle of Man tax resident from the beginning of the fifth year.

An individual will also be considered Isle of Man resident from the date they arrive in the Isle of Man if their intention is to permanently reside in the Isle of Man.

In the absence of a tax cap election the standard position is that an Isle of Man tax resident individual is subject to tax on their worldwide income less available allowances at a rate of up to 20%.

Tax cap election

An Isle of Man resident may enter into an irrevocable five- or ten-year election to have their annual tax liability capped. For elections commencing from 6 April 2023, the maximum liability for an individual per annum is £200,000 and £400,000 for jointly assessed couples.

Key employees' and entrepreneurs' incentive

There is a special incentive for key employees that is relevant to new Isle of Man residents thinking of establishing new businesses in the Isle of Man as well as existing businesses that, in order to develop and expand, need to bring key workers to the Isle of Man.

Qualifying individuals will only be subject to Isle of Man tax on Isle of Man employment income, any benefits in kind and rent arising from Isle of Man land and property for the first three years of Isle of Man residence or during their period of employment, if shorter. Any other income will not be subject to Isle of Man income tax irrespective of source.

To qualify it must be proven that the individual is a new arrival to the Island and is essential to the implementation and operation of the business on the Island.

This treatment is granted at the discretion of the Assessor of Income Tax and will be considered on a case-by-case basis.

Isle of Man National Insurance

The Isle of Man National Insurance regime is similar to the UK. The different categories for contributions are as follows.

- Class 1 – Employee – 11% up to £864 earnings per week, 1% additional payable above this amount. Employers generally 12.8%.
- Class 2 – Self-employed, fixed contribution £5.70 per week, £296.40 per annum.
- Class 3 – Voluntary contribution if not liable to any other contribution.
- Class 4 – Paid in addition to class 2 contributions for self-employed. Based on profit levels of the business.

The Isle of Man currently operates a National Insurance Holiday Scheme for certain new residents, to which various qualifying conditions apply, noting that this is only applicable to employed individuals. The scheme allows for a one-off refund of National Insurance (Class 1) deducted in the first year, up to a maximum of £4,400 in respect of any application made from April 2023.

Other taxes

The Isle of Man does not levy tax on capital transactions and does not apply estate or wealth taxes, or withholding taxes on payments to non-resident parties. The Isle of Man operates VAT at a standard rate of 20%. Other rates currently in force are 0% and 5%.



Other Factors – Moving to the Isle of Man

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	Isle of Man
Healthcare	Reciprocal agreement with the UK. Healthcare for Isle of Man tax residents is free.
Immigration	British passport holders and those who have been granted "indefinite leave to remain in the UK" can move to the Island with no immigration applications. For those without the above status, obtaining a visa is more complex following Brexit and consultation with an immigration lawyer is advisable. You may require a work permit before commencing employment or self-employment on the Island.
Housing	The Isle of Man does not have any restrictions or different property markets differentiating long term residents from new arrivals.
Education	Excellent public and private schooling up to aged 18.

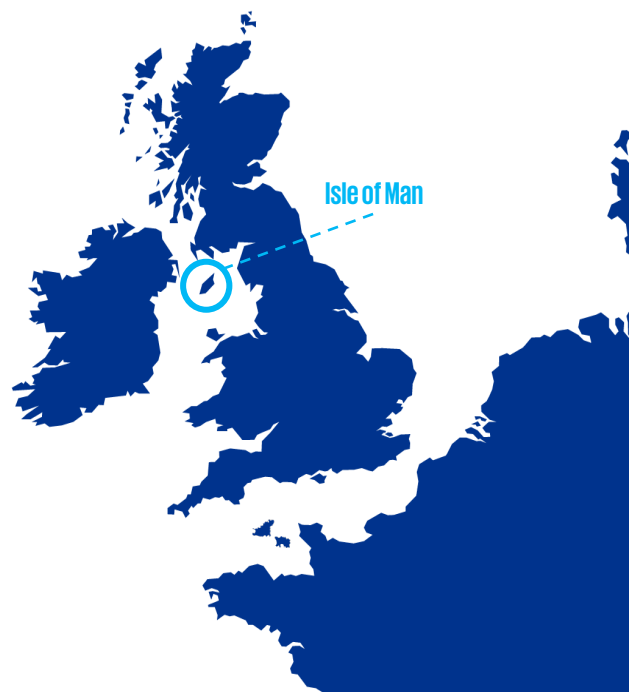
Proximity to the UK

Whilst you may wish to spend all your time on the Isle of Man once it becomes home, it is likely that spending time in the UK will also be a consideration.

Whilst the Island is increasingly adding to its direct flight network, the UK acts as our gateway to the international community and as a place many Islanders enjoy visiting for business and leisure.

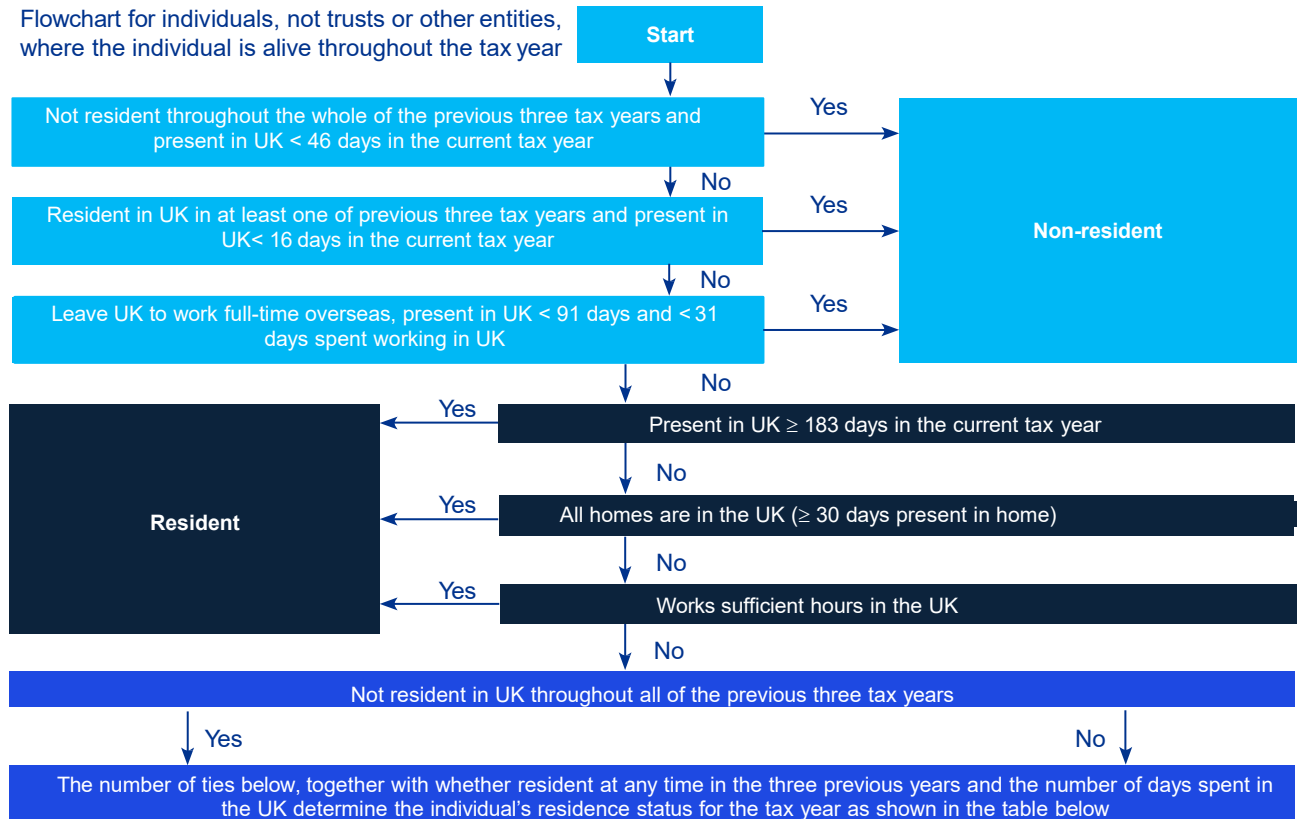
Often ensuring that you don't become resident in the UK is fundamental for tax purposes; it is important to monitor your presence in the UK and taking formal advice about your specific circumstances is strongly advised.

Please see the enclosed flow chart on the next page for the UK statutory residence test and note that the Island has a comprehensive Double Tax Agreement with the UK.



UK Statutory Residence Test Flowchart

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Inbound		Outbound	
UK Resident Family		UK Resident Family	
Substantive UK Employment ≥ 40 UK days in tax year		Substantive UK Employment ≥ 40 UK days in tax year	
Accessible UK Accommodation stayed in ≥ 1 night		Accessible UK Accommodation stayed in ≥ 1 night	
Present ≥ 91 days in either of previous two tax years		Present ≥ 91 days in either of previous two tax years	
Present in UK ≥ any other single country		Present in UK ≥ any other single country	
Total ties		Total ties	

Number of days in the UK in a tax year	When non resident throughout the three prior tax years				When resident at any time in the three prior tax years				
	1 or No UK ties	2 UK ties	3 UK ties	4+ UK ties	No UK ties	1 UK tie	2 UK ties	3 UK ties	4+ UK ties
Fewer than 16 days	NR	NR	NR	NR	NR	NR	NR	NR	NR
16 to 45 days	NR	NR	NR	NR	NR	NR	NR	NR	R
46 to 90 days	NR	NR	NR	R	NR	NR	NR	R	R
91 to 120 days	NR	NR	R	R	NR	NR	R	R	R
121 to 182 days	NR	R	R	R	NR	R	R	R	R
183 days plus	R	R	R	R	R	R	R	R	R

This flowchart is intended to summarise how the Statutory Residence Test determines residence status in the UK. However the legislation comprises over 60 pages of rules and definitions. HMRC have also issued a further 92 pages of guidance. Accordingly the information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.



Contact us – Isle of Man

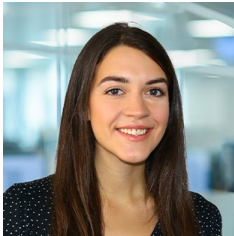
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