



Autumn Tax Seminar

12 November 2024



01

UK Budget: corporate tax measures

Corporate tax roadmap

- Maintaining current rates
- Maintaining “full expensing”
- Maintaining R&D tax credit regime
- Maintaining Patent Box and intangible assets regime
- Consulting on transfer pricing rules
- Consulting on a new process to give investors increased certainty
- Updating on use of technology



Other corporate tax measures

01

Introduction of Undertaxed Payments Rule (UTPR)

02

Repeal of Offshore receipts in respect of intangibles regime (ORIP)

04

Employers' NIC (Class 1 secondary)

- Rate increase to 15%
- Secondary threshold lowered to £5,000

03

Digital Services Tax?

02

**UK Budget:
private client tax
measures**

Quick summary

01

Employer NICs up from 13.8% to 15%

02

CGT rates to 18% and 24% immediately

03

Freeze on income tax and NIC thresholds will not continue past 2028/29

04

IHT restrictions to APR & BPR wef 6 April 2026
- new £1 million limit for 100% relief and 50% thereafter

05

IHT on inherited pensions wef 6 April 2027
(subject to consultation)

06

Additional SDLT hike on second homes

07

New rules for carried interest wef 6 April 2025
(subject to consultation) – flat CGT rate 32%

Non-dom reform - Individuals

FIG Regime

- FIG arising in the first 4 years of residence tax-free.
- FIG remitted to UK tax-free.
- Must not be UK resident in any of preceding 10 tax years.
- No charge to benefit from the regime.
- Loss of IT personal allowance and CGT annual exempt amount.
- No complex mixed fund ordering rules.
- Claim required but no need to make claim in all 4 tax years.
- Overseas workday relief aligned with FIG regime.
- Includes trust distributions

TRF

- Pre-6 April 2025 unremitted FIG can be brought to the UK under the TRF by UK resident individual previously taxed on RB.
- Pay reduced tax rate for 3 tax years from 2025/26
- No complex mixed fund ordering rules.
- Not possible to set any foreign tax or RBC paid against TRF charge.
- Includes trust distributions if benefit received by RB user in TRF period and matched to pre-6 April FIG

CGT Rebasing

- Rebasing relief available if claimed RB in the past.
- RB must have been claimed for at least one tax year between 2017/18 and 2024/25.
- Can rebase foreign assets held on 5 April 2017 to that date if sold after 6 April 2025.
- Asset must be held outside UK between 6 March 2024 and 5 April 2025.
- Existing rebasing relief for those who became deemed domiciled from 6 April 2017 will also continue to be available.

IHT

- Move from domicile-based test to residence-based test – 10/20 test.
- Different rule for those aged 20 years or younger.
- Introduction of an IHT tail that is at least 3 years rising to a max of 10 years.
- Transitional rules that apply to some non-doms who are non-UK resident by 2025/26 and remain so – either not LTR or max 3-year tail.
- Impact on gifts.
- Spousal exemption.

Example 1

Long-term UK resident non-dom (LOSER)

Jane was born in the IOM and moved to the UK 12 years ago.

Current rules

- Non-UK domiciled
- Remittance basis available (RBC payable) - taxable on foreign income/gains if brought to the UK
- IHT on UK assets only

New rules

- Taxable on worldwide income (45%) / gains (24%)
- 2025/26 to 2027/28 – TRF (12% then 15%)
- Rebasing to 6 April 2017
- Pre-6 April 2025 FIG taxed under current rules after TRF period
- Worldwide assets within scope of IHT
- What if Jane returns to IOM before 6 April 2025 and after?

Example 2

Long-term non-UK resident UK dom returning to the UK (WINNER)

Scott was born and raised in the UK and moved to Bermuda 12 years ago. Scott intends to live in Bermuda permanently but has children and young grandchildren who live in the UK.

Current rules

- Formerly domiciled resident
- Remittance basis not available – would be taxable on worldwide income/gains if returned to UK
- Probably has established a domicile of choice in Bermuda so currently only IHT on UK assets
- Worldwide assets within scope of IHT (period of grace) if returns to UK

New rules

- Not LTR so can benefit from FIG regime, only taxed on UK source income
- IHT on UK assets only on death and gifts. No subjectivity re domicile
- Could even create an excluded property trust

Non-dom reform - Trusts

Protected Trusts

- From 6 April 2025, protected trusts will cease to exist.
- Concept of tainting removed.
- Settlor interested structures (where the settlor is outside the 4-year FIG regime) will see settlors taxed on income and gains as they arise.
- No impact for deceased settlors, non-UK resident settlors and settlors claiming FIG regime.
- Settlor's right to recover IT and CGT from trustees.
- Distributions and benefits matched to pre-April 2025 PFSI continue to be taxed.
- Beneficiaries can benefit from FIG regime and/or TRF but trust distributions will not reduce RI and SG pools.

IHT

- From 6 April 2025, IHT is dependent on settlor's LTR status on chargeable events.
- NB IHT tail.
- Deceased settlors, rules differ if died before or after 6 April 2025.
- IHT at max rate of 6% on TYAs, when assets leave trust and when settlor ceases to be LTR.
- IHT charge reduced to reflect period when property is excluded.
- LTR settlor subject to entry charge on creation and additions.
- Limited grandfathering re GWR on non-UK assets held on 30 October 2024.

QIIP

- From 6 April 2025, non-UK assets held on 30 October 2024 will continue to be excluded property.
- Otherwise, only excluded property if neither settlor nor life tenant LTR on chargeable events

Other

- Changes to onward gifts and payments to close family members rules
- Consultation on review of TOAA provisions

Example 3

UK resident non-dom beneficiary

Sarah was born in the IOM and moved to the UK in 2023/24 to go to university/work. She is a beneficiary of an IOM discretionary trust created in January 2000. The settlor is deceased. The trustees wish to make distributions to her to fund her lifestyle.

- UK resident for 2023/24, 2024/25 so FIG regime available for 2025/26 and 2026/27
- 2027/28 onwards taxable on worldwide income/gains
- TRF 3 years on pre-6 April 2025 FIG (RB claim at least once in 2023/24 and 2024/25)
- Rebasing to 6 April 2017 on personal assets
- FIG and TRF applies to trust distributions/benefits
- IHT on personally held UK assets as long as not an LTR
- Trust: No IHT on future TYA or exit charges re non-UK assets as settlor died before 6 April 2025 – if settlor had died after 6 April 2025 would depend on LTR status on death

Pointers for trustees

01

Review the settlor(s) and beneficiaries' residence status now and regularly going forward. Don't forget about historic position though-domicile can still be relevant

02

Potential planning before and after April 2025 to mitigate tax going forward? E.g. accelerate trust distributions or wind-up trust

03

Record keeping is critical – RI and SG pools and unremitted FIG pre and post April 2025

04

Any TOAA motive defence? Although difficult to claim and easy to lose. Otherwise, restructure underlying trust assets/wealth

05

Settlor's right to recover tax from trustees under anti-avoidance provisions

06

Consider terms of trust and possible amendments to exclude settlor and spouse from benefit

07

Opportunities to create trusts in certain circumstances

03

VAT update

VAT and Private School Fees

- As of 1 January 2025, all education services and vocational training supplied by a private school, or a “connected person”, for a charge will be subject to VAT at the standard rate of 20%.
- The change will impact:
 - Education services;
 - After school hours and holiday activities; and
 - Boarding.
- The change will not impact:
 - Other “closely related” goods and services (other than boarding), such as school meals, transport, and books and stationery – needs to be clear that these are separate supplies from the education;
 - Any before/after school childcare, or childcare-based holiday clubs, that just consist of childcare; and
 - Nurseries.
- Pre – payment schemes - Any fees paid from 29 July 2024 relating to the term starting in January 2025 onwards will be subject to VAT. Many schools have implemented prepayment schemes to try and maintain VAT exemption for those payments made before this date. HMRC will look at schemes and challenge where appropriate.

Place of supply



IOMC&E published in late 2022 a reminder on the VAT “place of supply” rules



Determines the place of taxation for VAT purposes



Relevant to all IOM businesses, including those in the finance, professional and fiduciary sectors



Impacts whether VAT is chargeable by businesses on invoices



Reminder that VAT legislation and practice changes from time to time



Businesses should be aware of the current rules and check they have been applying them correctly



Where incorrect VAT treatment has been applied, this may require remedial action

04

AEOL update

Current ITD approach for AEOI

Continuation of desk based reviews:

- Thematic reviews
- Bespoke enquiry due to perceived risk identified by ITD (eg enquiry from another jurisdiction)
- As a result of a voluntary disclosure

Onsite visits

- Guidance note expected to be released soon
- Undertaken as a follow up to desk-based review or due to perceived risk (which could be just the number of reportable accounts that an FI reports)
- Enquiry can cover: entity classification, due diligence, reporting, non-reportable accounts, self-certifications
- FI will be notified of the visit along with the scope of the enquiry
- Data will need to be provided to ITD pre-visit
- Final report will be issued by ITD confirming remediation action required





**Isle of Man
Government**

Reiltys Ellan Vannin



Pillar 2 Global Minimum Tax

David Parsons

12 November 2024

Overview of Pillar 2 Global Minimum Tax

- ❑ Global Minimum Tax at **15%** on groups with **>€750m** revenue: the “GloBE Rules”
- ❑ Operates on jurisdictional basis and applies to “Entities” (companies, branches, LLCs, partnerships etc)
- ❑ If a jurisdiction with low-taxed profits (i.e. effective tax rate less than 15%) does not “take the tax”, then another implementing jurisdiction will do so via the GloBE rules (Income Inclusion Rule (**IIR**) is primary taxing rule)
- ❑ A Qualified Domestic Minimum Top-up Tax (**QDMTT**) is the most common approach to “taking the tax” on low taxed local profits to avoid another jurisdiction doing so
- ❑ There is also a back-up rule to the IIR, the “UTPR”
- ❑ First implementation (by some jurisdictions) for periods commencing on or after 31 December 2023, with many more jurisdictions implementing from 2025

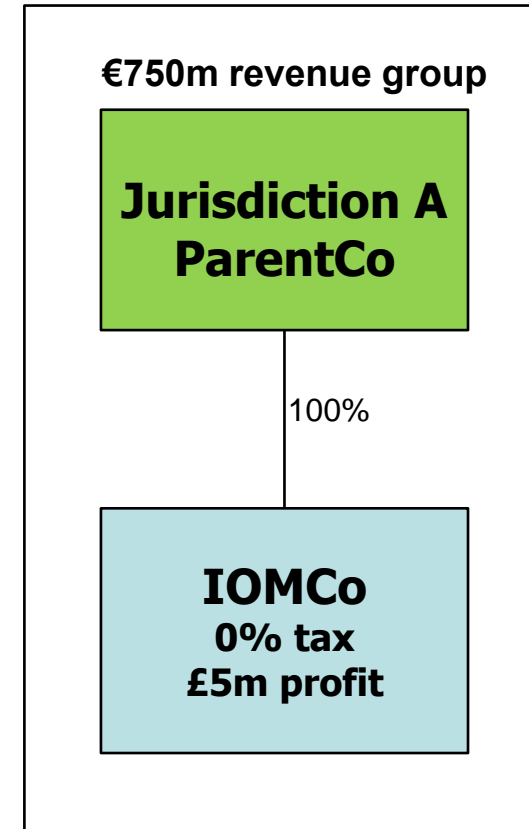
Global Minimum Tax (Pillar Two) Order 2024

- ❑ Legislation to be considered by November Tynwald: [Pillar 2 Order](#)
- ❑ Applies to Fiscal Years commencing on or after 1 January 2025
- ❑ Introduces 2 new taxes (i.e. separate from income tax):
 - Domestic Top-up Tax, or DTUT (i.e. a QDMTT): a tax on IOM profits
 - Multinational Top-up Tax, or MTUT (i.e. an Income Inclusion Rule): a tax in respect of profits located outside the Island
- ❑ IOM is not implementing UTPR
- ❑ Legislation adopts “incorporation by reference” approach to applying GloBE Rules (and Commentary, Administrative Guidance and Safe Harbours)
- ❑ Registration requirement: “Domestic Filing Entity” concept

IOM implementation (1): DTUT

15% Domestic Top-up Tax (DTUT)

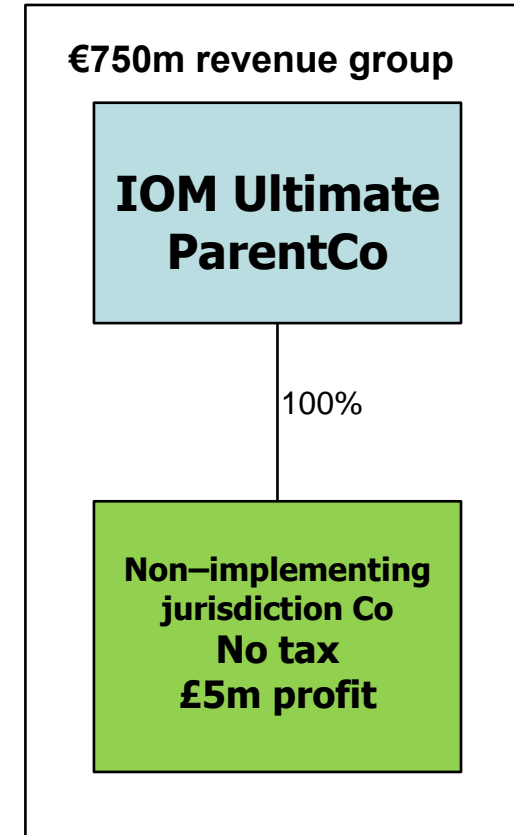
- This will top-up tax on IOM profits of in-scope groups to 15%
- Overlaid on top of existing Zero/ Ten corporate income tax regime
- Computed on a jurisdictional basis, but each IOM Entity has its own DTUT liability
- Based upon numbers in Ultimate Parent Entity Consolidated Financial Statements
- Includes *de minimis* and Substance Based Income Exclusion provisions from GloBE Rules
- "Qualified status" to be sought from OECD such that it becomes a "Safe Harboured Qualified Domestic Minimum Top-up Tax"



IOM implementation (2): MTUT

Multinational Top-up Tax (MTUT) (i.e. an Income Inclusion Rule)

- Will tax low taxed profits arising outside IOM
- Only applies where Ultimate Parent Entity of group located in IOM (or, in very limited circumstances, an intermediate parent entity)
- Will impact very few businesses
- Qualified status will be sought from OECD



What to watch out for from 1 January 2025

- ❑ “Cessation” (eg liquidation, re-domiciliation) of in-scope entity: obligation to notify ITD and make payment on account of estimated DTUT liability pre cessation
 - ❑ Registration obligation: new online system – available end June 2025 (including appointment of Domestic Filing Entity)
 - ❑ Submission of DTUT and MTUT returns: phase 2 of new online system (2026)
 - ❑ Minor amendment to company income tax return for accounting periods ending on or after 31 December 2024 (Pillar 2 related question)
-

More information

❑ Sign up to Income Tax Division Pillars mailing list at gov.im/pillars

❑ Email: Pillars-Tax@gov.im

❑ Contact David Parsons

david.parsons@itd.treasury.gov.im

Tel: 685321

❑ [OECD Pillar 2 Model Rules](#)



**Isle of Man
Government**

Reiltys Ellan Vannin



Email: Pillars-tax@gov.im



KPMG



home.kpmg/cds

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 endeavor 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.

© 2024 KPMG in the Crown Dependencies is the business name of a group of Jersey and Isle of Man limited liability entities each of which are member firms of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

Document Classification: KPMG Public