



When business as usual becomes unusual

Session 3: Tax Update

—
22 April 2020





Introduction

Format of the webinar

Asking questions

Further webinars and updates

Reference to materials / webinar playback





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Agenda

- **COVID-19 HMRC response / OECD update**
- **Economic Substance**
- **IOM non-resident companies**
- **FATCA/CRS update**
- **Mandatory Disclosure Rules**
- **Wrap up and questions**





COVID-19 HMRC response / OECD update

Robert Rotherham – Director, Tax





HMRC Covid-19 response to corporate tax risks

Permanent establishment risk

- INTM261010

Company residence risk

- INTM120185





OECD – taxing the digital economy

Pillar I

- Allocation of profits of “digital” multinationals
- “Belt and braces” for BEPS
- Unified approach

Pillar II

- Minimum rate of tax
- Global Anti-Base Erosion proposal (“GloBE”)

Google

facebook

amazon





Economic Substance

David Parsons - Partner, Tax





Economic substance

- **Applies to accounting periods commencing on or after 1 January 2019**
- **Blacklisting:**
 - The threat
 - Consequences
- **COVID-19 relaxations**
- **Penalties: latest position**
- **Future developments:**
 - Self managed schemes
 - Partnerships
 - Guidance on penalties?





Non-IOM Resident Companies



Clare Kelly – Senior Manager, Tax



Non-IOM resident companies

Income Tax Act 1970 S2N

A company will be considered not resident in the Isle of Man if it can prove to the satisfaction of the Assessor that —

- a) its business is centrally managed and controlled in another country; and
- b) it is resident for tax purposes under the other country's law; and
- c) either —
 - i. it is resident for tax purposes under the other country's law under a double taxation agreement between the Isle of Man and the other country in which a tie-breaker clause applies; or
 - ii. the highest rate at which any company may be charged to tax on any part of its profits in the other country is 15% or higher; and
- d) there is a bona fide commercial reason for its residence status in the other country, which status is not motivated by a wish to avoid or reduce Isle of Man income tax for any person.



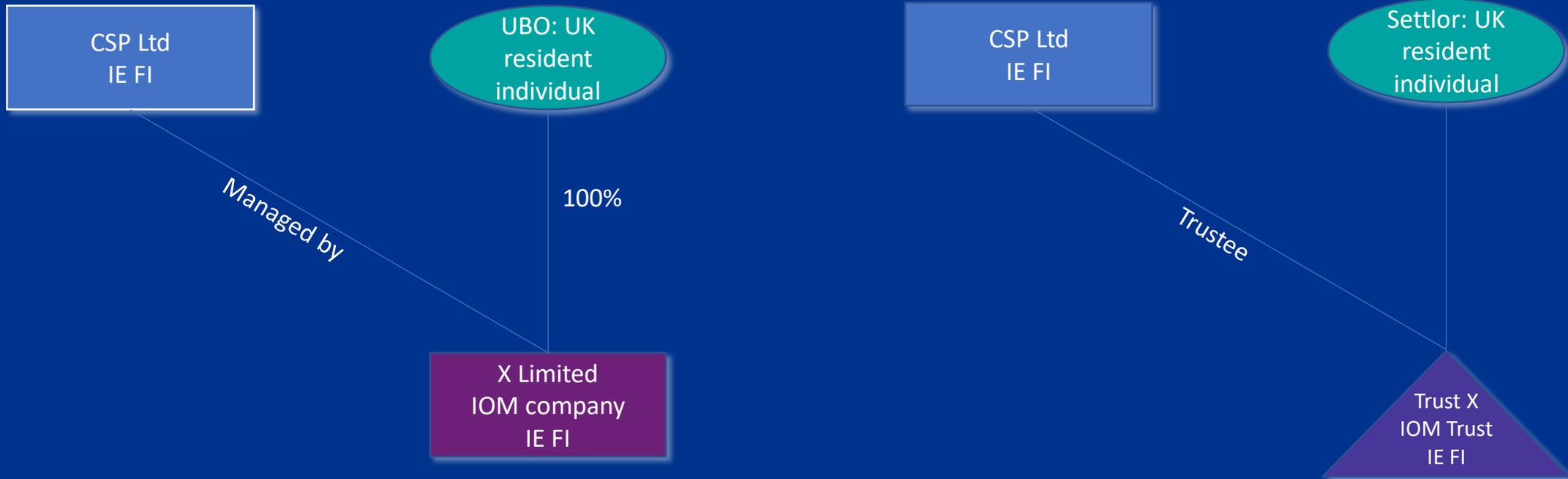
FATCA / CRS

Clare Kelly – Senior Manager, Tax





CRS examples





FATCA/CRS top tips

- Check your entity classification
- Check your account holders details are correct (and change of circumstances have been recorded correct)
- Check the IT search function is up to date for the current year (e.g. current reportable accounts list/ exchange rates/ valuations etc.)
- Create a comprehensive review process for the XML document – including independent review/ check to source records/ review of FI being disclosed in the report.
- Contact the Tax Office immediately if issues are identified.



Mandatory Disclosure Rules

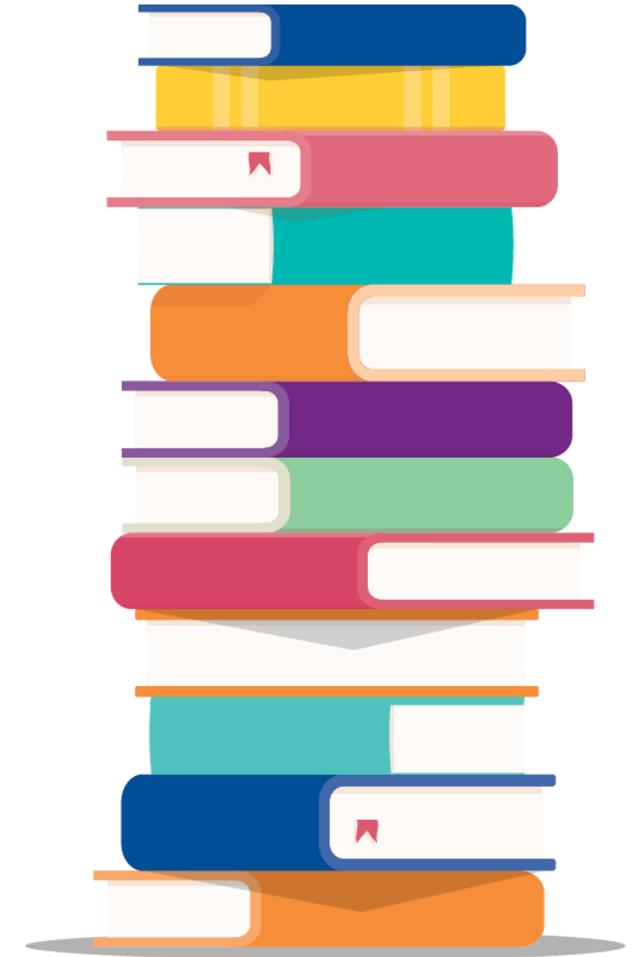
David Parsons - Partner, Tax





Mandatory Disclosure Rules

- **IOM equivalent of EU's DAC 6, but much more restricted**
- **Hallmarks:**
 - CRS avoidance arrangements
 - Opaque offshore structures
- **Disclosure to Assessor**
- **Legislation enacted by Tynwald December 2019**
- **Into force.....?**





Wrap up and questions

David Parsons - Partner, Tax





Thank you



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