

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

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We at KPMG can help you understand and manage the tax issues arising on your emigration to the Isle of Man. If you are moving from the United Kingdom, we can provide tax advice on the implications of ceasing UK residency. We are also able to liaise with other members of the KPMG global network to provide advice about ceasing residency in other countries.

## Why move to the Isle of Man?

The Isle of Man is an independent jurisdiction with its own legislation and tax system; it is not part of the UK or the EU. However, it has a unique relationship with the UK as it is a British Crown Dependency and is also considered to be part of the UK and EU for VAT purposes through its VAT revenue sharing agreement with the UK.

The Isle of Man has good communication and transport links with the UK as well as a stable political environment and low crime rates. However, it also has the additional benefit of a low tax regime with the highest rate of personal tax being only 20%.

## What tax issues should I consider before moving to the Isle of Man?

Before moving to the Isle of Man, you should consider the following questions.

- When will I be considered resident in the Isle of Man for tax purposes?
- What tax will I have to pay in the Isle of Man?
- Will there be any tax exposure arising in my current home country as a result of ceasing residence there?



- What are my tax filing requirements in the Isle of Man?

## When should I take advice?

We recommend that tax advice is sought prior to deciding to emigrate. This will ensure that a proactive approach can be taken to managing your tax affairs.

## When will I be considered tax resident in the Isle of Man?

You will be considered to be resident in the Isle of Man if you are present in the Isle of Man for at least 183 days in a tax year. The tax year in the Isle of Man ends on 5 April (as in the UK).

However, you will be considered Isle of Man resident from the date you arrive in the Isle of Man if your intention is to permanently reside in the Isle of Man at the date you arrive. Alternatively, if as a visitor you spend on average more than 90 days in the Isle of Man over the previous 4 tax years you will be considered Isle of Man tax resident from the start of the fifth tax year.

## What tax will I have to pay in the Isle of Man if I become Isle of Man resident?

Isle of Man residents pay Isle of Man income tax on their worldwide income. However, if you have income from overseas on which you have paid foreign tax, you can generally deduct this from your Manx tax liability so there is no double taxation.

There is no tax on the first £12,500 of income (using 2017/18 rates). You pay 10% tax on the next £6,500 of taxable income and 20% on the balance.

It is also possible to elect for your tax liability to be "tax capped" in the Isle of Man – this will provide certainty for your tax liability for five years from the date of the election. Once an election has been made and approved, you will be subject to the tax cap for the following 5 years irrespective of your taxable income. For elections made prior to 6 April 2017 the tax liability under the tax cap is £125,000 per annum. The cap for elections made between 6 April 2017 and 5 April 2018 is £150,000 per annum. If an election is not made, all income is taxed at the rates as set out above (ie at a maximum rate of 20%).

It is also possible to elect to be jointly assessed for tax purposes with your spouse. All personal allowances, tax thresholds and tax capping levels listed above are doubled where a couple is jointly assessed.

Employed individuals must also pay national insurance contributions on their employment income. No national insurance contributions are due on the first £6,136 (2017/18 rates) of employment income. 11% is due on the next £40,768 of earned income with income in excess of this amount being subject to a 1% contribution. The employer is also subject to employer's national insurance on their employees emoluments at a rate of 12.8% on income in excess of £6,136 per employee.

The Isle of Man does not have capital gains tax, inheritance tax, stamp duty, wealth taxes or gift taxes.

### **I currently own a company: what should I do with it?**

The residency status of your company may be impacted by your move to the Isle of Man if it is considered that you are managing and controlling the company from the Isle of Man.

**Gregory Jones**  
Head of Tax  
[gregjones@kpmg.co.im](mailto:gregjones@kpmg.co.im)  
+44 1624 681045

**Justine Howard**  
Senior Manager, Tax  
[jhoward@kpmg.co.im](mailto:jhoward@kpmg.co.im)  
+44 1624 681062

**David Parsons**  
Director, Tax  
[davidparsons@kpmg.co.im](mailto:davidparsons@kpmg.co.im)  
+44 1624 681004

**Clare Kelly**  
Manager, Tax  
[clarekelly@kpmg.co.im](mailto:clarekelly@kpmg.co.im)  
+44 1624 681079

**Robert Rotherham**  
Associate Director, Tax  
[rrotherham@kpmg.co.im](mailto:rrotherham@kpmg.co.im)  
+44 1624 681035

**Monika Zoradova**  
Manager, Tax  
[mzoradova@kpmg.co.im](mailto:mzoradova@kpmg.co.im)  
+44 1624 681023

KPMG can provide guidance on whether the company will be considered to be Isle of Man tax resident.

The standard rate of tax for companies in the Isle of Man is 0%. However, some companies pay a higher rate of tax. For example, companies with income from Isle of Man land and property pay tax at a rate of 20% and a large retailer or bank pays tax at a rate of 10%.

### **How can KPMG help me?**

KPMG can liaise with the Isle of Man Tax Office on your behalf in relation to your registration for Manx income tax; explain the personal tax regime on the Isle of Man and how it will affect you; prepare and submit your annual tax return, and remind you of any tax payment deadlines.

We can advise and assist with regard to the mechanics of leaving the UK and remaining non-UK resident. We can also liaise with other KPMG offices to seek local tax advice on your emigration from your home country to ensure that your tax affairs are all finalised correctly.

We can provide advice on any tax relief available in the Isle of Man on non-Isle of Man income that has been taxed at source.

Finally, we can advise whether it is possible to change the residency status of your company and whether there are any benefits from doing so.

### **How can KPMG help me?**

Our charges are usually based on time spent but we can agree fixed fees in advance in certain cases. For example, assistance with the completion and submission of a personal tax return will typically cost between £1,000 and £2,000 plus VAT, depending on the complexity. Please ask us for a quote: the cost may be lower than you think.

The content of this leaflet is intended to provide a general guide to the subject matter and should not be regarded as a basis for ascertaining the liability to tax or determining investment strategy in specific circumstances. In such cases specialist advice should be taken.

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