

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



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 legal and tax system; it is not part of the UK or the EU. However, it has a unique relationship with the UK as a British Crown Dependency and is also considered to be part of the UK for VAT purposes.

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 low tax rates 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 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 are present in the Isle of Man for at least 183 days in a tax year or 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. The tax year in the Isle of Man ends on 5 April (as in the UK).

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 get relief for this against your Manx tax liability so there is no double taxation.

There is no tax on the first £14,250 of income (using 2020/21 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 (or optional longer period of 10 years). Once an election has been made and



approved, you will be subject to the tax cap for the following 5 (or 10) years irrespective of your taxable income. For elections made prior to 6 April 2021 the tax liability under the tax cap is £200,000 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 are jointly assessed.

Employed individuals must also pay national insurance contributions on their employment income. For the tax year 2020/21 on an annual basis, no national insurance contributions are due on the first £7,176 and then 11% is due on the next £35,620 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 £7,176 per employee per annum.

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

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

This will depend upon a range of factors including the nature and location of the activities of your company, as well as your future intentions for the company. KPMG can provide guidance on whether your existing structure remains appropriate once you are Isle of Man resident and what steps, if any, should be taken.

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 large retailers and banks pay 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 reliefs available in the Isle of Man on non-Isle of Man income that has been subject to foreign tax.

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.

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