

GLOBAL
EMPLOYER
GUIDE

ISLE OF MAN





Basic Country Facts

Full Name

- Isle of Man

Internet domain

- .im

Capital

- Douglas

International Dialing Code

- +44

Main Languages

- English
- Manx

Currency

- Pound Sterling

Population

- 85,033

Monetary Unit

- Pound Sterling



STATUTORY LABOR REQUIREMENTS

Probation Period

- Probationary period is generally of 3 to 6 months

Annual Leave

- Workers have an entitlement to:
 - 4 weeks' paid leave in each leave year; and
 - payment for any leave to which they are entitled but which they have not taken when their employment terminates.

Public Holidays

- New Year's Day (1st January)
- Good Friday (10th April)
- Easter Monday (13th April)
- Early May Bank Holiday (8th May)
- Spring Bank Holiday (25th May)
- Tynwald Day (6th July)
- Summer Bank Holiday (31st August)
- Christmas Day (25th December)
- Boxing Day (28th December)

Maternity Leave

- Women who are employees are entitled to
 - reasonable paid time off work to attend ante-natal sessions;
 - up to 26 weeks' unpaid Ordinary Maternity Leave; and
 - if they have 26 weeks' continuous employment (see section 5), up to 26 weeks' unpaid Additional Maternity Leave; and
 - up to 39 weeks' Maternity Allowance at a maximum of £179.85 a week from the Treasury provided they meet the conditions of entitlement to the benefit.



Paternity Leave

- Men and, in some circumstances, women who are employees are entitled to:
 - 1 or 2 weeks' unpaid Paternity Leave (26 weeks' continuous employment required);
 - 1 or 2 weeks' Paternity Allowance @ a maximum of £179.85 a week from the Treasury provided they meet the conditions of entitlement to the benefit.

Sick Leave

- Incapacity Benefit (IB) is a contributory benefit which gives financial assistance to people who become sick and are unable to work.
- IB is paid at one of two basic rates:
 - short term rate for the first 52 weeks of incapacity
 - long term rate after 52 weeks

Work Hours

- Currently the European Working Time Directive is not Law on the Isle of Man.
- There is no legislation specifying working hours in respect of other employees, but an employer has to be aware of any health of safety implications when requesting employees to work longer hours.
- Where the working day is longer than 6 hours, all staff are entitled to take a break of at least 20 minutes.

Overtime

- Civil servants, (other than those who have no set conditioned hours), are eligible to be paid overtime, in accordance with the following provisions, for additional hours worked at management's request, which are in excess of their conditioned hours.

- Overtime working should, in general, only occur during periods of exceptional pressure of work and only then, at the request of management.
- It should be worked on Monday to Friday if feasible and not over the weekends except as a last resort.
- The calculation of overtime payments is based on the pay and allowances of the civil servant concerned (excluding allowances in lieu of overtime or for night duty, for shift disturbance, house, clothing, lodging, travelling and subsistence or similar out of pocket expenses).
- Hourly plain time rates of overtime should be calculated to the nearest 0.10 pence as follows:
 - $\text{Annual Salary} \div (37 \text{ (hours)} \times 52.2 \text{ (weeks)}) = \text{Plain-time rate}$

Notice Period

- The contract or written statement should set out the statutory entitlement as to the notice which an employee is both obliged to give and entitled to receive.
- The notice period to be provided by the employer is as follows: -
 - If employment period is less than 2 years, notice period is of one week
 - If employment period is of more than 2 years but less than 12 years, notice period is of 1 week for each year of continuous year of employment
 - If employment period is of more than 12 years, notice period is of 12 weeks
- The notice period to be provided by the employee is as follows: -
 - If employment period is less than 2 years, notice period is of one week

- If employment period is of more than 2 years but less than 4 years, notice period is of 1 week for each year of continuous year of employment
- If employment period is of more than 4 years, notice period is of 4 weeks

Severance

- Employees with two or more years' continuous employment are entitled to a statutory redundancy payment if they are made redundant.
- The amount of a redundancy payment is one week's gross pay, capped at a maximum of £540 a week, for each completed year for which the employee has been continuously employed, up to the calculation date.
- The maximum amount of years to be taken into account is 26 and the maximum statutory payment is £14,040.
- If a contractual redundancy payment is greater than the statutory maximum, then the contractual payment will apply.
- Employees are also entitled to reasonable paid time off to look for work or to arrange training once notice of redundancy is given.
- On a finding of unfair dismissal, where the Tribunal does not make an order for re-employment, it makes an award of compensation, calculated as follows:
 - a basic award of one week's gross pay, capped at a maximum of £540 a week, for each completed year for which the employee has been continuously employed, up to the calculation date.
 - The maximum amount of years to be taken into account is 26;

- a compensatory award based on the employee's loss, including any expenses reasonably incurred in consequence of the dismissal and any other benefits including pensions that might reasonably have been expected but for the dismissal; the award must not exceed £56,000 except in health and safety or whistleblowing cases or the case where an employer refuses an order of re-employment made by the Tribunal; and
- a compensation for injury to feelings award, if the Tribunal thinks it just and equitable, up to a fixed maximum of £5,000.

13th Month

- 13th month pay is not mandatory



Income Tax

- Individuals who are resident in the Isle of Man are liable to tax on their worldwide income from all sources.
- A non-resident is liable to tax on any source of income arising or accruing in the Island, with the exception, under extra statutory concession, of bank and building society interest and dividends.
- A standard rate of 10% is charged on taxable income of resident individuals on up to 6,500 Isle of Man pounds (IMP) for single persons and IMP 13,000 for married couples.
- A higher rate of 20% is charged on taxable income exceeding the standard rate limits.
- Subject to an irrevocable election, there is a tax cap of IMP 200,000 (or IMP 400,000 for a married couple) on an individual Isle of Man resident's income tax liability for the five years commencing 6 April 2020.
- Non-residents pay tax at a rate of 20% on total taxable income.



Social Security

- In general, National Insurance contributions are payable on the earnings of individuals who work in the Isle of Man.
- The Isle of Man has a reciprocal agreement with the United Kingdom that permits National Insurance contributions to be paid in either jurisdiction to count toward total payments required.
- For the tax year commencing on 6 April 2020, no national insurance contributions are payable by employees where earnings are less than IMP 138 per week.
- Above this limit, 11% is paid by employees on earnings up to a limit of IMP 823 per week, and at 1% on earnings above IMP 823 per week.
- Employers are also required to make a national insurance contribution in respect of each employee at rates dependent on individual circumstances.
- Self-employed persons earning IMP 6,500 or more per annum pay a flat-rate contribution of IMP 5.40 per week.
- In addition, there is a contribution of 8% on profits between IMP 7,176 and IMP 42,796 per annum and at 1% on earnings over IMP 42,796.

National Insurance Contributions	
Employees:-	
Earnings up to IMP 138 per week	0%
Earnings between IMP 138 and IMP 823 per week	11%
Earnings above IMP 823 per week	1%
Employers:-	Rate of contribution is based upon individual circumstances
Self-employed: -	
Earnings of IMP 6,500 and above	Flat rate of IMP 5.4 per week
Profits between IMP 7,176 and IMP 42,796	8%
Profits over IMP 42,796	1%



Deductible Expenses

- Deductions are available to individuals only for the actual expenses incurred wholly and exclusively in acquiring the income on which income tax is payable.
- This might include professional subscriptions and travel expenses where an individual is employed and other costs incurred in the normal course of business where the individual is self-employed.
- For employees, the expense of travelling to and from work is not deductible.

Personal Deductions

- Deductible non-business expenses include the following:
 - Interest paid by a resident on any mortgage or loan, provided, in most cases, that the lending institution is based in the Isle of Man.
 - If interest is paid at more than a reasonable commercial rate, the excess is not deductible.
 - The maximum amount of interest for which relief can be claimed is IMP 5,000 per annum.
 - This amount is doubled in the case of a married couple or civil partners who have chosen to be jointly assessed, but the relief is restricted to 10%.
 - Pension contributions paid to approved schemes.
 - Donations to charities exceeding IMP 100 up to a limit of IMP 7,000 per annum and certain covenanted educational payments up to IMP 5,500 per annum. These reliefs are restricted to 10%.



Standard deductions

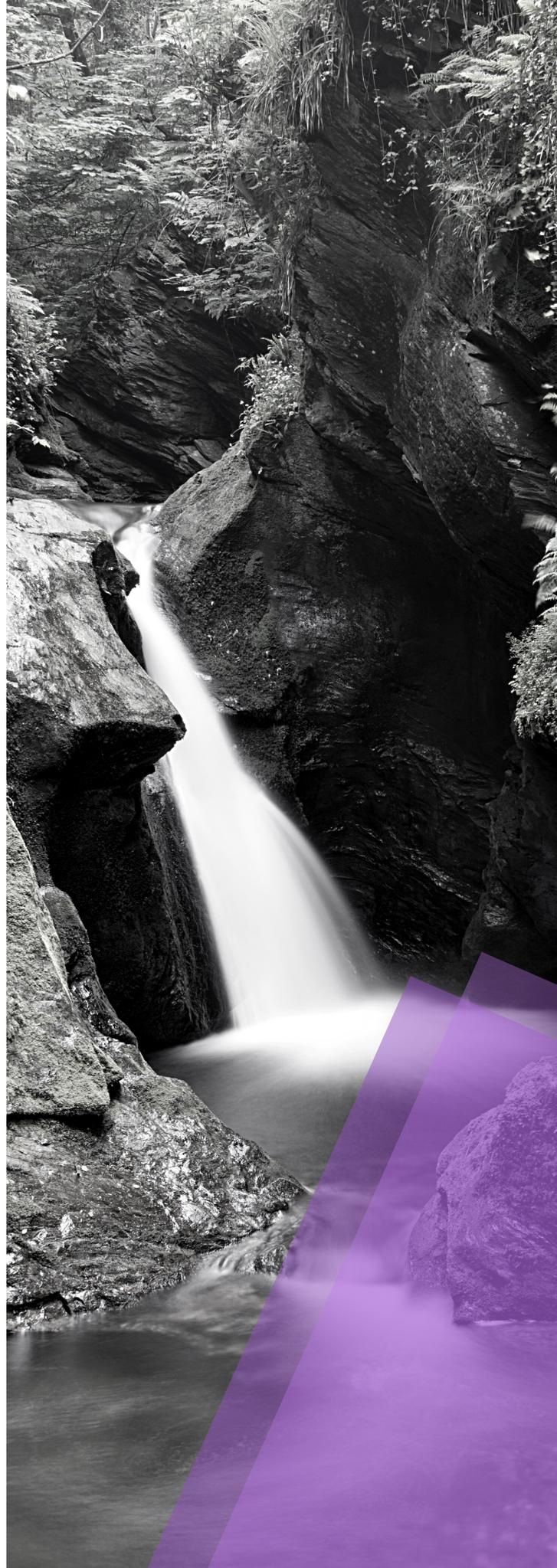
- There are no standard or flat rate deductions.

Personal allowances

- Personal allowances are only available for offset against income of the tax year in question and cannot be carried back or forward.
- A personal tax credit is available under certain circumstances to Isle of Man's resident individuals who are aged 65 or over or who are registered disabled or blind, and whose income has not reached the level of the single person allowance.
- Non-residents are not entitled to a personal allowance; all of their taxable income will be taxed at the prevailing higher rate (20% for 2020/21).
- Allowances for residents for 2020/21 (year commencing on 6 April 2020) are as follows:

Allowance	GBP
Single person	14,250
Married couple or civil partners (combined allowance; totally transferable if election made for joint taxation)	28,500
Single parent addition/Co-habiting couple addition	6,400*
Age allowance (for over 65 years)	Nil
Blind person/Disabled person	2,900*

*Available in addition to a single person allowance.



Immigration

- Subject to the following, anyone who is not classed as an 'Isle of Man worker' requires a work permit to take up employment, (including self-employment), in the Island.
- There are exemptions for a number of occupations and employments, and for certain temporary employments.
- Non EEA nationals who have an immigration employment document do not require permits.
- The following are, upon application, entitled to an automatic permit –
 - the spouse, civil partner or cohabiting partner of a work permit holder or an exempt person, provided that the work permit holder or exempt person is engaged in permanent, regular full-time employment ('the primary employment'), and
 - the cohabiting partner of an Isle of Man worker.
- An employer must not employ a person unless he or she is an Isle of Man worker, except in accordance with the above.
- The Department must take the following matters into account in deciding whether or not to grant a permit. 'The person concerned' means the person for whom an application is made.

Economic circumstances

- Whether or not there are any suitable Isle of Man workers available in the trade, occupation or profession for which the application is made, having regard to any skills, qualifications, knowledge or experience required, and the importance of the position to the applicant's undertaking.

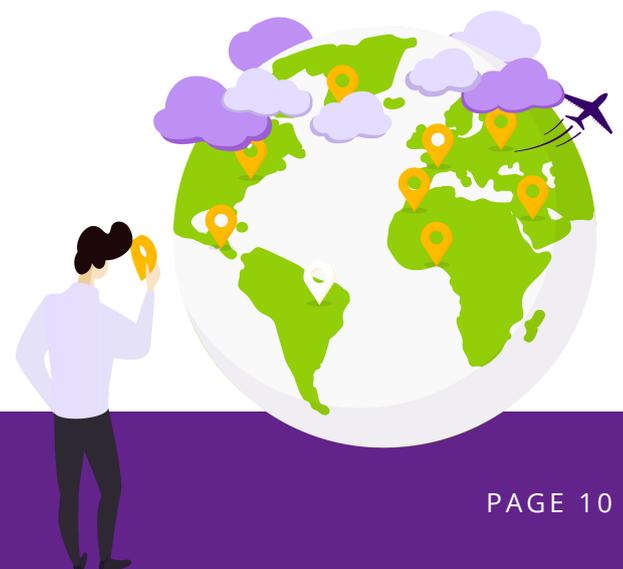
- The level of unemployment in the trade, occupation or profession.
- Any likely economic or social consequences of granting or declining the application.

The process

- Whether and how the job was publicized in the Isle of Man.
- The process by which the applicant has selected the person concerned.
- The grounds on which the applicant has selected the person concerned.

Personal circumstances of the person concerned

- Any criminal convictions (in the Island or elsewhere) of the person concerned which are not "spent" for the purposes of the employment for which the permit is sought. (see further at 'criminal records').
- Where the person concerned has worked in the Island for a continuous period of 2 years or more by virtue of a permit or an exemption, his or her family circumstances, including whether his or her family are living in the Island.
- Whether a refusal to grant or renew a permit would cause substantial hardship to the person concerned.



Type of Visa	Documentation	Validity	Eligibility
Work Permit	<ul style="list-style-type: none"> • Employment Contract • Documents showing personal information • Valid Passport • Business Plan (in case of self-employment) 	<ul style="list-style-type: none"> • 1 year (renewable) 	<ul style="list-style-type: none"> • Anyone who is not classed as an 'Isle of Man worker' requires a work permit to take up employment, (including self-employment), in the Island.
Standard Visitors Visa	<ul style="list-style-type: none"> • Valid Passport • Certified translated copies of any documents that are not in English • Travel History • details of any criminal, civil or immigration offences you have committed 	<ul style="list-style-type: none"> • 6 months (renewable) 	<ul style="list-style-type: none"> • You can apply for a Standard Visitor visa if you want to visit the Isle of Man for business-related activities, for example: <ul style="list-style-type: none"> ◦ you are coming to the Isle of Man for a conference, meeting or training ◦ you want to take part in a specific sports-related event ◦ you are an artist, entertainer or musician and coming to the Isle of Man to perform ◦ you are an academic and are doing research or accompanying students on a study abroad programme ◦ you're a doctor or dentist and are coming to the Isle of Man to take a clinical attachment or observer post ◦ you want to get funding to start, take over, join or run a business in the UK



Value Added Tax (VAT)

- The standard rate of VAT is 20% and is applicable on the purchase of most goods and services. Some supplies (e.g. food, books and publications, public transport) are charged at 0% VAT.
- There is also a rate of 5% VAT charged on domestic property repairs.
- It should be noted that self-employed individuals who have a turnover of more than IMP 85,000 are required to register for VAT and charge it to their customers at the relevant rate.

VAT	
Standard Rate	20%
Reduced Rate	5%





Withholding Tax

Dividends

- There is a 0% withholding tax rate on dividends

Interest

- Loan interest paid by a company usually is subject to a 0% withholding tax
- A 20% rate applies on interest paid to an individual or company out of income derived from Manx land and property

Royalties

- There is a 0% withholding tax rate on royalties, except to the extent that royalties represent payments of “Manx Income” to an individual, in which case a 20% withholding tax rate applies

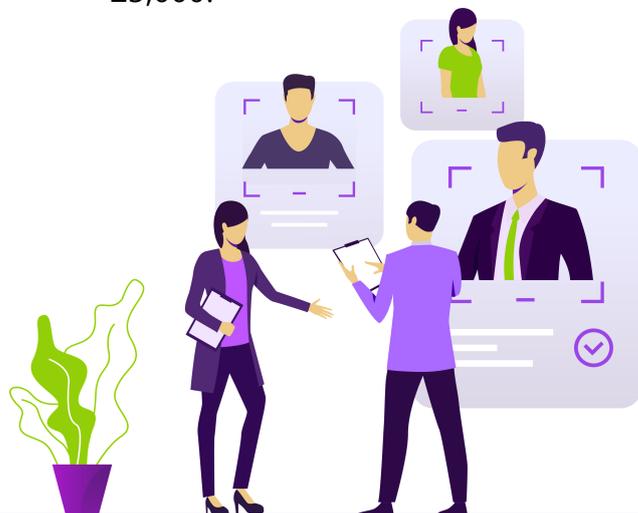
Fees for technical services

- There is a 0% withholding tax rate, except to the extent that the fees represent payments of “Manx income” to an individual, in which case a 20% withholding tax rate applies

WHT	
Dividends	0%
Interest	Generally 0%; If Manx Income, then 20%
Royalties	Generally 0%; If Manx Income, then 20%
Technical Service Fees	Generally 0%; If Manx Income, then 20%

Termination

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- If a contractual redundancy payment is greater than the statutory maximum, then the contractual payment will apply.
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 - The maximum amount of years to be taken into account is 26;
 - a compensatory award based on the employee's loss, including any expenses reasonably incurred in consequence of the dismissal and any other benefits including pensions that might reasonably have been expected but for the dismissal; the award must not exceed £56,000 except in health and safety or whistleblowing cases or the case where an employer refuses an order of re-employment made by the Tribunal; and
 - a compensation for injury to feelings award, if the Tribunal thinks it just and equitable, up to a fixed maximum of £5,000.



Statutory Benefits

- These are mandatory benefits as postulated by law
- These include probationary period, annual leave, public holidays, maternity leave, paternity leave, sick leave, overtime pay, notice period, severance pay, 13th month pay
- Statutory benefits also include social security benefits

Statutory Benefits

Probationary Period

Annual Leave

Public Holidays

Maternity Leave

Paternity Leave

Sick pay

Overtime Pay

Notice Period

Severance pay

Social Security Contributions

Payments and Invoicing

- The tax year runs from 6 April to the following 5 April.
- Income tax returns are issued shortly after the end of the tax year and must be filed before the following 6 October, disclosing total income and any claims for reliefs and allowances for the relevant tax year.
- Fixed penalties are applied if a return is filed late.
- A married couple or civil partnership can elect to file a joint income tax return and are jointly and severally liable for any tax liability.
- An employee's tax and national insurance contributions are deducted by the employer under the 'Income Tax Instalment Payments' (ITIP) system, with the employer paying the amounts deducted to the Assessor of Taxes each month.
- A self-employed individual is required to make a payment on account of their tax and national insurance liability on 6 January in the year of assessment.
- An assessment showing the final tax and national insurance liability is issued after the end of the year, and any balance owing is due on 6 January following the end of the year of assessment. Interest is payable on tax paid late.



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