

CM SKYE

CM Notes

THE ISLE OF MAN A BASIC FACT FILE

Introduction

The Isle of Man is a very beautiful island with a unique history and culture all of its own. It is probably Europe's smallest nation (as opposed to 'state') since the Manx people definitely consider themselves a distinct nationality, and are not at all amused by the suggestion that they are 'really' English or Scottish or Irish or anything else for that matter! That it has survived as a nation is astonishing. Culturally, ethnically and historically, the Isle of Man is on the eastern frontier of the Gaelic world. It is not on the western frontier of the English world.

Geography

The Isle of Man is in the Irish Sea, right at the centre of the British Isles. It is shaped like a lozenge slightly tilted, and is 33 miles long and 13 miles wide. As such, it is about the same size as Singapore, and substantially bigger than any of the Channel islands, 400 miles away in the English Channel. (It is seven times bigger than Jersey, the largest of the Channel Islands). Its centre consists of old eroded mountains up to 2000 feet, which provide wonderful hill walking. It is green and very beautiful, with mountains and fells, deep glens, miles of sandy beaches, cliffs and little creeks. It is much bigger than most visitors imagine before they actually come. Its countryside is not dissimilar to that of Cumbria, or of Galloway, or County Down. If you have seen the movie 'Waking Ned Devine', or the television series 'Island at War', you will have been looking at the Isle of Man, which was the location for both productions.

The nearest adjacent land is Scotland, some 16 miles north. Cumbria, in North west England is 22 miles away, and County Down, Ireland is 25 miles away.

It is approximately 80 miles south east to Liverpool, and the same distance south west to Dublin. Glasgow is a little further to the north. (It is about 300 miles to London). The nearest big city is Belfast.

The climate is Maritime North Atlantic. The Gulf Stream ensures that it is mild but wet. It rarely snows (except on the mountains) and is never hot. It does get a lot of wind and rain, especially in the winter. It is noted in Victorian guides that Manx people never learn to skate! It is actually on the same latitude as northern British Columbia.

Wildlife

As in Ireland, there are no snakes or toads. Similarly there are no foxes, (though some misguided idiot tried to introduce them surreptitiously recently) or badgers or moles or squirrels. The Isle of Man is rich in bird life, however.

There are certain indigenous species of animals. Most people are aware of the Manx Cat, which has no tail. Fewer people know of the Loaghtan sheep, a small hardy brown sheep, which has four horns. There was once an indigenous breed of cow, but this is extinct.

Population

The Human population is c 80,000 of whom about half are ethnic Manx, the remainder being immigrants, mostly from Britain and Ireland. There are very few immigrants from Asia or Africa. There are no concessions for 'asylum seekers'. Legislation providing for the capability of residence permits has been enacted, providing powers to control immigration, if necessary.

The Manx people are of Celtic/Norse origin, closely related to the Irish and West Highland Scots. The indigenous language of the island (spoken universally until 100 years ago) is Gaelic, and the local dialect, Manx Gaelic is very close to Ulster Irish. Today there are about 1000 speakers of the language. Everybody speaks English.

Manx people are predominantly Methodist in religion. The established church is the Anglican Church, which has its own Bishop. The See of Sodor and Mann (See later for an explanation of the word 'Sodor') is the oldest in the Anglican Church. The Manx became Christian at the time of St Ninian in the fourth century. The Catholic Church has a very substantial presence. (Non-Christian religious faiths scarcely exist):

Communications

Physical communications are excellent. Flights by Manx Airlines and EuroManx connect in Britain directly with London Gatwick, London City, London Stanstead, London Luton, Birmingham, Blackpool, Bristol, Cardiff, Edinburgh, Glasgow, Liverpool, Manchester, Southampton, in Ireland with Dublin and Belfast City; and in the Channel Islands with Jersey. In the summer there are also flights to other British destinations. Getting around on the island is easy, with car rental firms, taxis, buses and, in the summer, steam and electric railways and horse trams!

History

2000 years ago, the Isle of Man was a part of the British Celtic world of Rheged in Galloway. St Ninian, who brought Christianity to the Isle of Man in the fifth century was from this world.. With the resurgence of Ireland in the next century, the Isle of Man came under the domination of the Gaelic Kingdom of Ulaidh, or Ulster, and then under the Gaelic kingdom of Dalriada, in modern Argyll. The Norse Vikings arrived in the ninth century,. The name 'Mann' is of Celtic origins. The modern name 'Isle of Man' is the more frequently used name, but 'Mann' is no less correct.

The Norsemen carved out a new maritime kingdom, called the Kingdom of the Sudreyjar (hence the word 'Sodor' still in use in the name of the Anglican Diocese, as noted above), or Southern Isles comprising the Isle of Man and the Hebrides (the Northern Isles being Shetland and Orkney). The Norse gave us the word 'Manx' (being an English distortion of the Norse Mansk - pronounced, in Norse, Mannsh). They also gave us the name of the Manx Parliament 'Tynwald', derived from 'Thing Vollr' or the Assembly Field. The earliest records of Tynwald being in session are from 979 AD. They lasted until 1263, when the Norse fleet was defeated at the Battle of Largs by the Scottish King Alexander III.

There followed a century of misery, as the English fought it out with the Scots. The English occupied the island. Robert Bruce retook the island for Scotland in 1313, but Edward III of England expelled them again in 1333. Eventually, the Scots gave up on their rightful claim in 1346, and it was subsequently agreed that Mann would remain separate, but would come under the English sphere of influence.

In 1405, a great English magnate called Sir John Stanley became King of Mann. For the next three hundred years, his descendants, who became the Earls of Derby (Derby in Lancashire, not Derbyshire!) preserved Mann free from outside interference. In the English civil wars, in the seventeenth century, the island was held by the then Lord of Mann for King Charles I, but fell eventually, creating, in the process, one of the heroes of Manx national iconography, 'Illiam Dhoan', otherwise known as William Christian, who surrendered the great Castle Rushen to the English parliamentarians rather than see his own people put to the fire and sword. In due course he was shot for treason by the Lord of Mann after the restoration in 1660.

In the eighteenth century, the title (by then, as today, styled Lord of Mann) passed to the Dukes of Athol in Scotland. In 1765, after the Manx had discovered, and enjoyed, the profits of smuggling (an early form of offshore 'tax planning'), the British moved in. The Crown rights were bought out by the British Crown, and the British Government took over. (But they did not incorporate Mann into the UK)

The twentieth century has seen a recovery of the island's political independence from the United Kingdom. The process continues. The island is today entirely self-governing, with the role of the United Kingdom limited to defence and international representation. There are many who would like to see the island re-attain full international sovereignty.

Currency - Postage Stamps etc.

The Isle of Man issues its own currency, both notes and coin, and its own Postage stamps. The Manx £ is interchangeable with the pound Sterling. A bank will exchange Manx currency for British currency readily. British currency is accepted without question in the Isle of man. The reverse is unhappily rarely true.

British Postage stamps are not accepted in Manx post offices.

Government

The Isle of Man is a self-governing dependency of the British Crown. The Isle of Man is ENTIRELY self-governing, and no agency of the UK Government exists, has any authority or any function in the Isle of Man. The Isle of Man is ENTIRELY financially self-reliant. It is unique in the British Commonwealth in having the only Parliament (which is called 'Tynwald' - a Norse name) that is both older than the English Parliament, and which, by virtue thereof, is sovereign in its own right, not having any of its authority derived from or conferred by the British Parliament.

The Isle of Man is NOT a Member of the European Union, but enjoys a special associate status by virtue of Protocol 3 of the Treaty of Accession of the United Kingdom to the treaty of Rome.

In addition, by virtue of a Customs Union with the United Kingdom, the Isle of Man has an identical VAT system to the UK, and is thus treated as being a part of the EU trading system fiscally also.

Manx persons are subjects of the Crown and have British Citizenship. British subjects resident in Mann are entitled to Passports issued by the Manx Government. The procedure for naturalisation is identical to that of the United Kingdom.

At the top of the Government comes a Lieutenant-Governor, appointed by the Crown. The Queen's representative is styled 'Lieutenant-Governor'.

Today, Executive Government is in the hands of a Council of Ministers, with a Chief Minister. All Ministers have to be members of Tynwald, and are thus democratically elected.

The Judiciary

The name of a judge in the Isle of Man is 'Deemster'. This is a Norwegian word, derived from the Norwegian word for Judge. There are two regular Deemsters, as well a Deemster of Appeal, a Deputy Deemster and a panel of Acting Deemsters. Appeals go to the Manx Appeal Court, consisting of the Deemster who did not take the case originally, together with the Deemster of Appeal, who is a distinguished judge from England appointed for the purpose. Further appeals go to the Judicial Committee of the Privy Council in England, traditionally the highest Court of Appeal in the British Empire.

The lower courts are presided over by a High Bailiff, or his Deputy, or by Magistrates.

The Manx legal profession is distinct and separate from its counterparts in the adjacent countries. Manx lawyers are styled 'Advocates'. The profession is fused - Advocates perform the functions of both barristers and solicitors. The logic for this is that Manx law is different from that of the adjacent countries, both in its origins, its practice and its legislation.

Manx customary law was originally derived from a blend of Gaelic Brehon law with a strong overlay of Norse law. Since the Middle Ages, however, English Common Law and Equity has had an overwhelmingly powerful influence, and, especially in matters of commerce and business, Manx law today closely follows English law. There are still, however, plenty of traps for the unwary, especially in Land and Constitutional Law, where old Norwegian models still apply.

The Legislature

The historic parliament of the Manx people is called Tynwald. 'Tynwald' is another Norwegian word, from Ting Vollr, meaning Assembly Field. Tynwald consists of two Houses. The Upper house, called the Legislative Council is indirectly elected and has nine members. The Lower House is the House of Keys. The House of Keys is directly elected every five years. It has 24 members. The word 'Keys' is derived from an old Norwegian word for 'Chosen'.

The United Kingdom Connection

The Isle of Man is not and never has been part of the United Kingdom. Nevertheless, the relationship is very close. Indeed, for many purposes, the two countries treat each other as being the same.

The most important connection is that of the Customs Union. The two governments impose identical rates of Customs and Excise Duties and Value Added Tax, and share the proceeds according to a pre-determined formula. In exchange, there is complete freedom of movement of goods and services between the two countries.

European Union.

The Isle of Man is NOT a Member of the European Union, but enjoys a special associate status by virtue of Protocol 3 of the Treaty of Accession of the United Kingdom to the treaty of Rome. As a result, it:

- a. is treated as being inside the European Union tariff barriers;
- b. has freedom of movement of trade and capital in the EU;

- c. does not have to harmonise its laws or comply with EU directives;
- d. can operate a work permit system, provided that all EU citizens are treated alike;
- e. gains no financial benefits from EU funds.

As a consequence, the Isle of Man receives no funding from the European Union, as it is not treated as a Member State. Equally it makes no payments to the EU.

It has no theoretical obligation to observe European Directives or Law in matters outside the areas of freedom of capital and trade (although in practice for commercial reasons it usually does). It can impose Immigration restrictions, provided such restrictions impact on all European Union Citizens identically.

Although all Manx people, being British Citizens, are classed as European Union citizens, those Manx people who

- are Manx born
- have two Manx born parents
- have four Manx born Grandparents

do not have the right to live or work in the European Union (other than the UK and Ireland), unless they have resided in a EU country for five years.

Towns and Villages

Douglas is the capital. It has been the seat of Government for a century. In Douglas, and its satellite villages reside half the population of the island. Approximately a half of the population lives in greater Douglas. (c 38,000 people)

Ramsey is located in the north of the island, sixteen miles north of Douglas, and north of the mountains. (c. 6,000 people). In the Shipyard in the harbour was built the square rigged sailing ship 'Star of India', which is today the pride and joy of the San Diego Maritime Museum in San Diego, California.

Peel on the west coast is a picturesque and historic fishing port with a mediaeval castle and the island's Cathedral. (c 4,000 people)

Castletown, just south of the airport, and the principal town of the south of the island, is the ancient capital, with a fine mediaeval castle. The south of the island has about a third of the population. (Castletown c. 4,000)

Heritage

The Isle of Man has a very rich historic heritage, stretching back to the Iron Age. It includes Celtic sites, Norse sites, Mediaeval castles, abbeys and churches, as well as nineteenth century engineering, including railways, tramways, Water Wheels, Mines, etc. Manx historical culture is essentially Gaelic, with strong connections to neighbouring Scotland and Ireland. Another powerful strand, but largely confined to the institutions of state and law, is that of the Norwegians, who provided the rulers of the kingdom of Mann and the Isles (sometimes called the Sudreyjar - nowadays called the Hebrides) for four hundred years in the early Middle Ages. English influence began in the fifteenth century, but was of little significance until the nineteenth century when the invention of steam powered ships enabled communications with England to be established reliably.

Economy

The Manx Economy was traditionally a peasant economy, dominated by farming (largely subsistence) and fishing. The eighteenth century saw the introduction of trading (and smuggling). The nineteenth century saw the development of lead and silver mining. The end of the nineteenth century and most of the twentieth century was dominated by mass tourism from Britain and Ireland.

By far the most important part of the economy today is offshore financial services. This includes, insurance and life assurance, trust and corporate management, banking and investment management, ship management and many other associated activities.

Next in importance is manufacturing industry, largely light engineering, electronics and textiles. There are several substantial engineering enterprises, as every visitor by air to the island can testify, since immediately adjacent to the airport are several major industrial concerns.

Tourism is third. Today, the tourism tends to be specialist, in that it is linked to specific events, such as the world renowned motor-cycle TT races in June, and other events throughout the summer and autumn.

A rising star in the Manx economy is movie making. Farming comes a long way behind, and fishing is, today a negligible contributor to the economy.

Banks

The Manx banking system is operationally linked into that of England. The Manx Banking Industry is supervised by the Financial Supervision Commission of the Isle of Man Government.

All the main British and Irish banks are represented, and a substantial number of private and investment banks from both countries are also present. The Isle of Man Bank Ltd, which is the leading retail bank, is a part of the Royal Bank of Scotland group.

Insurance

For some years the Isle of Man has been a major player on the international Captive Insurance stage. The Isle of Man is the primary centre for offshore Life Assurance in the world. The industry is regulated by the Insurance and Pensions Authority.

Ship management

The Isle of Man Shipping register is an internationally respected and well managed shipping register, for commercial vessels as well as private yachts. Manx registered ships are British ships, but fall under the Isle of Man's taxation system. Special tax concessions are available for ships so registered and their management companies in the island.

Trust companies

The Isle of Man has exceptionally good Trust law, although its Company law, once excellent, has fallen behind due both to obsolescence and incompetence in government. It has a first class capability for Asset Protection work, due to a legal decision in *Re the Petition of Christopher Jollian Heginbotham* 1999

Investment management

Although a certain amount of investment management work is done in the Isle of Man, including the management of Mutual Funds, the Isle of Man is not a major player in this area. This area of activity is also highly supervised by the Financial Supervision Commission.

Corporate Services

There is a substantial amount of activity in the provision of design and management services for companies, LLCs and other entities formed or administered from the Isle of Man. This industry has been reduced in size in recent years following the imposition of regulatory control by the Financial Supervision Commission.

Taxation General

There are no capital taxes, capital gains taxes, inheritance taxes, wealth taxes, or gift taxes in the Isle of Man.

There are two forms of Direct Tax. Income Tax is imposed on companies and associations at 12% on the first £500,000 of taxable profit, and thereafter at 18%. For individuals, certain allowances apply. These are deducted from income before ascertaining taxable income. The first £10,000 of taxable income is taxed at 12%. thereafter the rate is 18% (2005/6). Personal allowances are £8,500 for single persons and £17,000 for married couples.

Income Tax is imposed on WORLD WIDE income and profits of all Manx residents, irrespective of domicile or origin.

There is only one (elderly) Double Tax Agreement with the United Kingdom. Where a resident has income from another jurisdiction, any withholding tax deducted will be allowed as a credit against Manx tax. Frequently, this will wipe out Manx tax altogether.

There is an Exchange of Information Agreement with the USA. More such agreements are scheduled with the Republic of Ireland, Australia and Germany, and other countries.

Companies and Commercial organisations

Every new Company incorporated in the Isle of Man can have one of two possible options for tax status in the Isle of Man. This is, however, in the process of changes, and by 2006, there will be an entirely new regime of corporation tax, applied at zero rate.

Currently, a company can be: Resident in the Isle of Man (liable to Income at 10% on the first £500,000 of taxable profit, and thereafter at 18%, on world wide profits). Such companies must have a majority of their directors resident in the Isle of Man, where most Board Meetings must also be held.

OR

Resident in the Isle of Man but EXEMPT from all Manx Income Tax. It is liable to a special Government charge of £430 per annum. Such companies MUST have not less than one director in the Isle of Man, who vouches for the good conduct of the company, and must also have an individual resident in the Isle of Man with appropriate qualifications to act as the Company Secretary.

There is also a status called the International Business Company, where the tax rate is negotiable. This is rarely used, and is of little interest. Non resident companies have not been available for some years.

For resident trading companies, as noted, Income Tax is payable on world-wide profits at the rate of 10% on the first £100,000,000 profits and thereafter at 15%. The capital allowances, however, are generous, and there is a range of exemptions from tax, the effect of which is to make most international financial transactions and business carried on from the Isle of Man tax free. These include exemptions for managed banks, captive insurance companies and ship management companies. There are special low tax concessions for investment fund managers.

In 2006, the current exempt system is to be phased out and replaced by a new Corporation Tax. Under this, all, except certain local licensed institutions will have a zero tax rate. The local institutions will pay tax at 10%.

With regard to Partnerships, the Income Tax Act 1970, which is the principal Income Tax Act of the Isle of Man, does not distinguish between Partnerships or companies. Both are dealt with as "associations". However, all profits of a Partnership are, for tax purposes, deemed to have been distributed to the Partners, and are taxed in the hands of the Partners. If a Partner is non-resident, Withholding Tax at 18% is applied to that Partner's share of the profits.

An Isle of Man LLC (Limited Liability Company - 'US style') is legally a partnership for tax purposes.

Trustees of Isle of Man trusts are taxpayers and are obliged to file tax returns when they are resident in the Isle of Man. Isle of Man Trusts are not taxable, however, where the income of the Trust is non-Manx source, and no Manx residents are eligible to be beneficiaries. Isle of Man Companies can obtain exemption where they are either non-resident (their directors' meetings and business is all outside the Isle of Man), or obtain exempt status. This status is available where a company is wholly owned by non-resident of the Isle of Man, and its activities relate to business outside the Isle of Man.

Value Added Tax

The primary indirect taxation is through Value Added Tax. This is applied identically to the VAT system applied in the United Kingdom. The current rate is seventeen and a half per cent. It must be emphasised, however, that although, by virtue of an agreement with the United Kingdom, Value Added Tax is applied identically in the Isle of Man as it is in the United Kingdom, it is a Manx system, administered by the Manx Customs & Excise, and information available to the Manx Authorities is NOT available to the UK Authorities unless there is prima facie evidence of fraud.

For European Union purposes, the Isle of Man is treated for all VAT and Customs purposes as being a full part of the European Union.

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