EXPLANATORY MEMORANDUM TO

THE DOUBLE TAXATION RELIEF AND INTERNATIONAL TAX ENFORCEMENT (ISLE OF MAN) ORDER 2013

2013 No. 3148

1. This explanatory memorandum has been prepared by HM Revenue and Customs ("HMRC") and is laid before the House of Commons by Command of Her Majesty.

2. Purpose of the instrument

2.1 The Order brings into effect arrangements amending the 1955 Arrangement between the Governments of the United Kingdom and Isle of Man for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income as amended by the 1991 Arrangement, the 1994 Arrangement and the 2008 Arrangement.

3. Matters of special interest to the Select Committee on Statutory Instruments

3.1 None.

4. Legislative Context

4.1 The Order is being made to give effect in UK legislation to the arrangements. The arrangements, comprising an Exchange of Letters and an Arrangement, are scheduled to the Order, and are thus given domestic legislative effect.

4.2 The Order does not implement EU legislation.

5. Territorial Extent and Application

5.1 The Order extends to all of the United Kingdom.

6. European Convention on Human Rights

The Exchequer Secretary to the Treasury, David Gauke, has made the following statement regarding Human Rights:

"In my view the provisions of the Double Taxation Relief and International Tax Enforcement (Isle of Man) Order 2013 are compatible with the Convention rights."

7. Policy background

- ***What is being done and why***

7.1 The arrangements scheduled to the Order update the exchange of information article in the 1955 Arrangement to bring it into line with the new international standard for exchange of information as set out in Article 26 of the Model Tax Convention on Income and on Capital published by the Organisation for Economic Cooperation and Development ("OECD") and to cover taxes of every kind and description imposed by the two countries.

- ***Consolidation***

7.2 Not applicable.

8. Consultation outcome

8.1 HMRC regularly consults with external interested parties, including business representatives, about the effectiveness of existing agreements for the avoidance of double taxation and fiscal evasion, including information exchange, as well as new needs. The annual treaty negotiating programme is agreed with Ministers and published on the HMRC web site.

9. Guidance

9.1 General guidance on the operation of the UK's double taxation agreements can be found on the HMRC website at:
http://www.hmrc.gov.uk/manuals/intmanual/INTM150000.htm

or in the Double Taxation Relief Manual at:
http://www.hmrc.gov.uk/manuals/dtmanual/index.htm.

A new page to this Manual regarding the Arrangement will be added once it enters into force.

10. Impact

10.1 The impact on business, charities or voluntary bodies is negligible.

10.2 There is no impact on the UK public sector. HMRC already operates the terms of many other similar arrangements currently in force.

10.3 A Tax Information and Impact Note has not been prepared for this Order as it gives effect to a previously announced policy to enact a double taxation arrangement.

11. Regulating small business

11.1 None of the provisions of the arrangements affects the taxation of small business.

12. Monitoring and review

12.1 Both Governments will keep the arrangements scheduled to the Order under review to ensure that they meet the policy objectives set out above in section 7.

13. Contact

Jon Swerdlow at HM Revenue and Customs, Tel: 03000 521 856 or e-mail: jon.swerdlow@hmrc.gsi.gov.uk can answer any queries regarding the Order.