
EXPLANATORY NOTE

(This note is not part of the Order)

The Tax Information Exchange Agreement between the United Kingdom and the Isle of Man is set out in the Schedule to this Order.

Article 1 of the Order provides for its citation.

Article 2 makes a declaration as to the effect and content of the arrangements set out in the Agreement contained in Part I of the Schedule to the Order, and that it is expedient that those arrangements should have effect.

The Tax Information Exchange Agreement secures the application in the Isle of Man of the same measures as are contained in Council Directive [2003/48/EC](#) on taxation of savings income in the form of interest payments (“the Directive”). It is based on a model reflecting the provisions of the Directive, which was drawn up by the Isle of Man, jointly with Jersey and Guernsey for all Member States, discussed by those Member States and approved by the EU Council of Ministers.

The Agreement constitutes a reciprocal arrangement between the United Kingdom and the Isle of Man for the exchange of information on savings income in the form of interest payments made cross-border from one Party to individuals resident in the other Contracting Party.

As the Agreement enshrines all the measures corresponding to the Directive, it provides not only for the exchange arrangements between competent authorities but also the details of the mechanisms to be followed by paying agents for the identification of individual owners, and for collecting the information to be exchanged.

For an initial transitional period corresponding to the transitional period in the Directive, the Isle of Man will levy a retention (withholding) tax on relevant payments, unless the individual owner opts for the interest to be reported. (This arrangement corresponds to the transitional provisions granted under the Directive to Austria, Belgium and Luxembourg.) Income generated by the retention tax will be shared with the United Kingdom, and relieved in the same manner as withholding tax is to be relieved under the Directive.

The United Kingdom will apply automatic exchange of information from the start of the Agreement. At the end of the transitional period, however, both parties will apply full automatic exchange of information in respect of the information covered by the Agreement.

The detailed provisions of the Agreement are as follows—

Articles 1-4 set out the details of the transitional retention tax and the categories of information to be exchanged automatically, both during the transitional period and thereafter.

Articles 5-8 and Article 11 provide the definitions corresponding to those in the Directive of beneficial owner, paying agent and interest.

Article 9 confirms that the Isle of Man will share 75% of the revenue obtained by the retention tax with the United Kingdom. As for the withholding taxes levied by Member States under the Directive, under Article 10 the United Kingdom will make provision to ensure income subject to retention is not subject to double taxation.

Article 12 provides for a consultation procedure, in the event of any disagreement between the parties as to the interpretation of the Agreement and Article 13 sets out the confidentiality provisions concerning the information.

Changes to legislation: *There are outstanding changes not yet made by the legislation.gov.uk editorial team to The Tax Information Exchange Agreement (Taxes on Income) (Isle of Man) Order 2005. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

Article 14 confirms that the Isle of Man will move to full, automatic exchange of information at the end of the transitional period, with the option to do so earlier if wished.

Articles 15-17 deal with commencement and the conditions for application of the Agreement.

The Agreement will enter into force on the date of the later of the notifications by each country of the completion of its legislative procedures or the date of application of the Directive, 1st July 2005, whichever is later. The date of entry into force will in due course be published in the *London, Edinburgh and Belfast Gazettes*.

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Changes and effects yet to be applied to the whole Instrument associated Parts and Chapters:

- Order revoked by [2023 c. 28 Sch. 1 Pt. 1](#)