

Treasury publishes Isle of Man VAT review

The Isle of Man Government has correctly implemented and administered UK and EU VAT law for aircraft and yachts but should implement additional post-registration compliance procedures to ensure that the right VAT continues to be collected, a review carried out by HM Treasury has found.

Following a series of allegations of VAT avoidance in late 2017, the Isle of Man Government invited HM Treasury to carry out a review of its VAT rules and procedures regarding aircraft and yacht importations.

The [review](#), published today (16 October 2019), looked into the application of aircraft and yacht VAT rules in the Isle of Man and whether its rules and procedures enabled importation (e.g. by high net worth individuals) of private jets into the EU without paying the correct amount of VAT. Publication today concludes over a year of intensive investigation by VAT administration experts into this issue.

The report found that UK and EU VAT law had been correctly implemented in the Isle of Man and allegations of widespread VAT avoidance on aircraft and yachts were not upheld.

The report finds that the Isle of Man Government carries out extensive and effective compliance checks during VAT registration but should implement further compliance checks in the years after registration to ensure that the right amount of VAT continues to be collected. The Isle of Man Government has already started to implement improved compliance procedures in light of these recommendations.

The work carried out by HM Treasury has also highlighted the complexity in international VAT rules and the report notes that there may be merit in a wider review of these rules if EU member states and other jurisdictions deem that more tax should be collected on these activities.

In a statement, the Financial Secretary to the Treasury, Jesse Norman said:

This is a matter of considerable public importance, and the Isle of Man government rightly agreed to a full review.

I am pleased to confirm that the reviewers have found no evidence of widespread VAT avoidance. However, the Isle of Man government is taking action to improve its post-registration checks as a result of the review. My officials look forward to working closely with them to provide advice and guidance throughout the implementation and in the future.

The Isle of Man is a UK Crown Dependency and has sovereignty over its tax

system but under the Isle of Man Act 1979, it must apply VAT rules in a very similar way to the UK. It is the responsibility of the Isle of Man to assure those rules.

The Isle of Man invited HM Treasury to carry out a review of its VAT procedures for aircraft and yachts following allegations made as part of the Paradise Papers leaks in November 2017. While the UK and Isle of Man are separate tax jurisdictions, the UK Government works closely with Isle of Man Customs and Excise and is happy to provide technical assistance when asked.

The review into the Isle of Man's VAT procedures was one part of the UK's response to the Paradise Papers.

Detailed work has been carried out on the published Paradise Papers data which revealed that less than 2% of the data released by the International Consortium of Investigative Journalists relates to UK individuals or entities.

HMRC has reviewed over 300 corporate groups and individuals from its customer population who were identified in the documents. For approximately 80% of these, the structures identified have no UK tax consequences or were already known to HMRC.

For the remaining 20%, where new information is available, these are subject to ongoing examination by HMRC, who will take robust compliance action wherever appropriate.