



facilitating e-commerce and  
e-gaming in the Isle of Man

**SMP** Partners

trusted to deliver...

## Facilitating e-commerce and e-gaming in the Isle of Man

The Isle of Man is increasingly recognised as a key location for e-business operations and the provision of electronic services. Its advanced telecommunications infrastructure, low tax environment and advantageous VAT position make it highly attractive to e-businesses from around the world. Not only has the Island attracted some of the most well known online gaming and betting companies, it is now playing host to a wide range of technology intensive businesses.

### A renowned international jurisdiction with an attractive tax regime

The Isle of Man is recognised as an established international finance centre fully supported by a modern infrastructure:

- Proactive and collaborative regulatory regime independent of the UK
- Included in the OECD list of jurisdictions that have substantially implemented the internationally agreed tax standard (the “white list”)
- Capacity for sustaining growth – the Island is enjoying its 25th consecutive year of growth
- The lowest population density in Europe giving further room for growth
- Low operating cost environment
- A policy of low taxation both for individuals and companies
- No restrictions on new residents and the Island has an open property market with no restrictions or qualifications limiting property acquisition

### A leading–edge telecommunications infrastructure

With the proactive support from Government and the Island’s professional community, the Isle of Man offers an extensive package of benefits to technology intensive businesses:

- State of the art telecommunications infrastructure with resilient high capacity fibre optic cables
- State of the art business continuity/disaster recovery facilities widely available
- High internet and ADSL penetration
- Island wide mobile data (GPRS)
- Quality of service to world standards
- High quality web hosting/co-location
- 100% broadband availability
- Short lead times for telephone and broadband installation
- Higher speed connectivity for business available via extensive Island wide fibre and radio networks
- Legislation that provides the necessary legal framework for e-commerce to grow
- Generous DTI financial packages of support to qualifying businesses
- Effective consumer and data protection legislation
- Flexible employment and work permit provisions allowing for the relocation of business critical staff into the Island

## E-commerce - An advantageous VAT position

The Isle of Man is not a Member State of the EU, but is treated as such by virtue of its arrangement with the United Kingdom under the Customs & Excise Agreement. As a consequence the VAT legislation applying in the Isle of Man is identical in most respects to that in place in the United Kingdom.

The VAT treatment of electronically provided services has been subject to change over the past few years and further changes have recently been proposed. These could have a significant impact on where providers of such businesses choose to locate their operations. For VAT purposes the term “electronically provided services” is fairly widely drawn, but comprises the provision of software, games, music etc, in fact anything that is dependent on the internet for its operation.

Currently a non-EU based provider of such services would charge VAT according to the VAT rate applying in each country where the business has customers. This could mean registering in each country where they have customers or by using a central point of registration. In the latter case VAT would be returned to one country but charged, or accounted for, at the rate applying in each of the customers' countries. The country of registration would then pass on any VAT to each other country. VAT therefore of between 15% and 25% is due on income from EU sources.

Alternatively, it is possible for the provider to be established in an EU country, or for a sales company to be established in one, such that the service is provided by that company to the customer. In such a case VAT would be charged by reference to the country where the supplier is established, rather than by reference to the country where the customer is resident, for all EU non-business customers.

The Isle of Man currently charges VAT at a rate of 15% on such services, albeit such a rate is only in place until the end of 2009, when the rate is expected to revert to 17.5%. The effect being that VAT at 15% would be charged to all EU non-business customers. EU business customers and all non-EU customers would not be charged VAT.

However, as part of extensive changes to the VAT legislation the above will change from 1 January 2015. From then the supply, business to consumer, of such services will be taxed where the customer is resident, or where the service is consumed. This can be done either by the supplier registering where the customer is resident or by the use of a similar “One Stop Scheme” to that currently in place for non-EU established businesses. In this way the VAT due in the customer's country would be paid to the VAT authorities where the supplier is registered – charged at the rate where the customer is resident. The home authority would then remit the VAT collected.

The plans under the One Stop Scheme are still very much in their infancy and there may well be changes before 2015, but at this stage it does seem that by then there will be no VAT benefit to establishing in a low VAT jurisdiction. However, a VAT benefit can still be obtained for the next 5+ years and after that date there will remain other non-VAT related benefits to establishing the business in the Isle of Man. Of course, unlike Jersey and Guernsey an Isle of Man company is entitled to register for VAT rather than having to find an EU Country agreeable to registering it.

## E-gaming & VAT

The provision of e-gaming is a supply exempt from VAT, which has the consequence that whilst no VAT is due on income, VAT is not recoverable on expenses and overheads. VAT therefore represents a cost to such businesses, although this can be mitigated by careful planning.

These same provisions apply throughout the whole of the EC, but with a current rate of 15%, raising to 17.5% in 2010, the Isle of Man offers one of the lowest rates of VAT within the EU thus mitigating the cost of unrecoverable VAT.

## A zero rate of corporation tax

The Isle of Man is a common law jurisdiction and company law in the IOM is broadly similar to English company law. Isle of Man companies are subject to a 0% tax rate. Capital gains are not subject to tax. The maximum tax rate for individuals is currently 20% with an individual tax cap of £115,000.

## About SMP Partners

SMP Partners is one of the largest trust and corporate service provider on the Island. Based in Douglas and independently owned by its Executive Directors, SMP Partners is a well-established professional firm with over one hundred and forty employees. With a highly experienced, multi-disciplined team encompassing company secretarial and trust experts, accounting, tax, VAT and legal specialists, SMP Partners can meet the varied requirements of dynamic entrepreneurs and start ups to large international, multi-faceted groups. Clients of SMP Partners benefit from a unique combination of scale and resource, agility and flexibility.

### Pre-start up:

- Advice and support regarding direct taxation, VAT, ownership and corporate structure
- Advice and support regarding relocation, premises and staffing
- Incubation services including temporary or short lease premises
- Introduction to relevant Government Departments, including DTI, E-gaming Commission and E-commerce teams.
- Support and advice in relation to securing regulatory approval and relevant licenses
- Introduction to relevant technology partners, lawyers, accountants and banks

In addition, SMP Partners provides a range of Corporate Services designed to reduce the administrative burden and give the peace of mind that all regulatory and statutory requirements are being met.

### Corporate Services:

- Company incorporation and registration
- Liaison with company's professional advisers and banks
- Provision of registered office
- Provision of qualified and experienced directors
- Holding of and preparation for Directors meetings
- Company Secretarial and Isle of Man Statutory Compliance
- Provision of accounting services, VAT and Tax Compliance
- Payroll Services

To find out more about the Isle of Man's E-business credentials and the services the SMP Partners Group of Companies can provide, please contact:

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