



Isle of Man Government Response to the Guardian

The VAT treatment of the import of aircraft and the VAT Registration of aircraft leasing structures is a highly complex area concerning import taxation policies and VAT directives, including the EU Principle VAT Directive, for aircraft. The ICIJ questions centre on the right to VAT recovery following the change in the UK and IOM legislation, rules and policies from 2011 when aircraft over 8,000 kilos in weight ceased to be automatically zero-rated for VAT purposes.

The Isle of Man Treasury Customs & Excise Division is responsible for VAT registration and assurance of VAT compliance by businesses on its VAT register. In October 2016, responding to the increase in VAT registrations within the sector from 2012 and in recognition of the higher risk posed due to the complex rules and potential for taxpayer error in relation to aircraft leasing, Isle of Man Customs & Excise launched an exercise to review the accuracy and efficacy of the declarations being made to it, by businesses registered in the aircraft sector.

To date 33 such reviews of the circa 270 aircraft leasing companies on the Island's VAT Register have been completed and 13 are currently underway. Since 2011 over 30 assessments for under-declared or over-claimed VAT have been raised against businesses in the aircraft leasing sector, protecting around £4.7m of VAT.

The ICIJ has also questioned whether Isle of Man Customs & Excise has been properly applying the VAT rules in this area. Isle of Man Customs & Excise are required to apply the EU VAT Directive principles and UK/IOM VAT legislation and policy in relation to this area.

Whilst it is clear that no jurisdiction in the world could ever guarantee that instances of evasion, abusive tax avoidance and error do not occur on an individual basis, the Isle of Man is committed to ensuring that it is not used by those seeking to evade taxes or to abusively avoid taxes.

The Isle of Man has a strong track record of working with the relevant authorities to investigate any evidence of improper activity and to take action to ensure compliance with the law.

The ICIJ claims to have documents that support their assertions of wrongdoing but despite repeated requests, the ICIJ has not shared any of that material. In statements made about what the ICIJ refers to as the two worst cases of either the abusive avoidance of VAT or VAT evasion, investigations based on the evidence held by Isle of Man Customs & Excise give assurance that the VAT has been properly accounted for.

We recognise that without sufficient technical knowledge, there is scope for the ICIJ to misunderstand the position. However, no evidence has been presented to the Isle of Man by the ICIJ to substantiate any specific cases of abusive VAT avoidance or any wider abusive avoidance structures.

The Isle of Man is a well-regulated international business centre that remains at the forefront of global standards to improve tax cooperation and efforts to combat financial crime.

The Island's economy has been built on a reputation for openness, transparency and adherence to the international rule of law. We are committed to investigating illegal activity and abuse of the rules developed and agreed by the global community.

As a Government, we are unable to discuss individual cases publicly, but we will always investigate any evidence of tax irregularities and any breach of professional standards by those offering professional services in the regulated sector.

We have invested in our enforcement capability and are committed to ensuring tax compliance and tackling those that seek to cheat the tax system.

It should also be noted that aircraft leasing structures are used in other countries, including Malta, Cyprus, Denmark, the United Kingdom and the Netherlands. In fact aircraft leasing structures are used as an industry established practice worldwide throughout the global aviation sector.

The Isle of Man is proud of our diversified and thriving economy and reserve the right to defend ourselves against any allegations that would damage the trust and credibility we have worked hard to build in the international community.

Isle of Man Government
13th October 2017