



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Howard Quayle MHK
Chief Minister of Isle of Man
Isle of Man Government

September 2019

Dear Minister Quayle

I am writing with regards to HM Treasury's review of the Isle of Man Customs and Excise's administration of VAT in relation to aircraft and yachts. I am pleased to enclose a summary of this review which includes details on the work carried out, our findings and recommendations.

I am grateful to your officials in Isle of Man Treasury and Isle of Man Customs and Excise for their continued cooperation with HM Treasury and HM Revenue and Customs on this matter. It is vital that our officials continue to establish strong working relationships to ensure that we are well placed to address any future challenges with regards to VAT.

Background and scope

In November 2017, various media outlets alleged that several high net worth individuals had imported their private aircraft into the Isle of Man without paying VAT. The allegations called into question the ability of the Isle of Man Government to effectively administer the operation of VAT in their jurisdiction.

The UK and Isle of Man are separate tax jurisdictions, but the Isle of Man has agreed to mirror UK VAT law and the UK Government is always ready to provide advice where requested. I am therefore grateful for the action that you and your government took in inviting HM Treasury to conduct a review of your VAT practices for aircraft and yachts. This was the right course of action and was a measured response to the allegations. The enclosed document provides details of the findings and recommendations of this review.

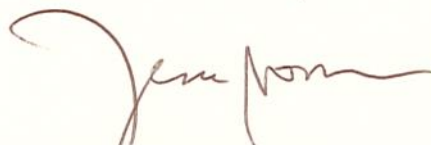
Findings and recommendations

I am pleased that the Isle of Man Government has been found to have complied with UK and EU VAT laws on this matter. The VAT rules for aircraft and yachts are incredibly complex and there is a clear public interest in getting this right. It is therefore important that we maintain trust in our tax systems and we should continue to monitor and review these rules.

While we consider that the Isle of Man have correctly implemented and applied international VAT rules for aircraft and yachts, the level of post-registration procedures in the Isle of Man is a concern. There is no evidence of any incorrect VAT treatment and indeed, we acknowledge that Isle of Man Customs and Excise carry out significant assurance work prior to importation. Even so, implementing robust and effective post registration assurance procedures will help strengthen public trust in the Isle of Man VAT system and this is paramount to ensuring that our close relationship on VAT continues. I understand that Isle of Man Customs and Excise has already started implementing post registration assurance procedures in line with our recommendations and will provide details of this in due course. My officials will provide advice and guidance where required throughout the implementation and in the future.

Once again, I am grateful for the cooperation of the Isle of Man Government in assisting HM Treasury and HM Revenue and Customs with the review. I am pleased that our strong relationship continues, and my officials look forward to working with your government on VAT and other related matters in the future.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'Jesse Norman', with a stylized, flowing script.

JESSE NORMAN MP