

## Constitutional Position of the Isle of Man and VAT

Written by The Treasury / Yn Tashtey  
Thursday, 04 February 2010 16:55

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Unlike other dependencies of the United Kingdom (e.g. Jersey, Guernsey) the Isle of Man has a unique, closer, relationship with the European Community by reason of the Customs & Excise Agreement with the UK. The Agreement governs the customs union that exists between the UK and Isle of Man Governments and provides that the two are also regarded as one territory for customs, VAT and most excise duty purposes. This agreement is given force of law by Act of Parliament (UK) and equivalent legislation here in our own Tynwald (IOM Parliament).

The customs union, the Customs & Excise Agreement and the relationship of the Isle of Man with the European Community are recognised in European Law by means of Protocol 3 of the UK's Act of Accession to the European Community.

In particular, the relationship of the Isle of Man with the European Community is governed by Article 299(6) (c) (formally Article 227(5)(c)) of the EC Treaty and by Protocol 3 to the Act signed on 15 January 1972 concerning the conditions of UK accession to the Community.

The fact that the UK and Isle of Man are regarded as one place for VAT purposes means that the Isle of Man forms part of the VAT territory of the community. This is recognised by Article 7(2) of Council Directive 2006/112/EC on the common system of value added tax.

This Article directs that Member States shall not treat the Isle of Man as a third country and that

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they “shall take the measures necessary to ensure that transactions originating in or intended for the Isle of Man are treated as transaction originating in or intended for the United Kingdom”.

Article 1 of Protocol 3 states that the Community rules on customs matters and quantitative restrictions, and in particular, those of the Act of Accession, shall apply to the Isle of Man under the same conditions as they apply to the United Kingdom. Therefore the Island is also part of the customs territory of the Community, and Community customs law applies in the Isle of Man.

Alistair Nash  
Senior Executive Officer and  
Client Relationship Manager