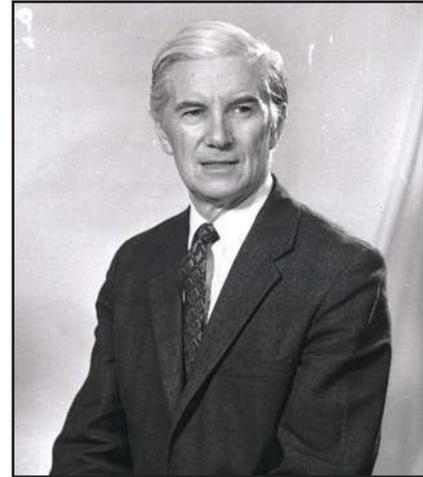


# DEBATE 7 - LOWER TAXES & THE ARRIVAL OF THE FINANCE SECTOR



- There has been an increasing degree of self-determination by the House of Keys of the Island's economy during the twentieth century
- There has been a decreasing impact of the U.K. Government on the Island's economy and life.
- The Isle of Man suffered an economic depression in the 1950s, shown by the high level of emigration and the population decline to a level lower than in most of the nineteenth century.
- A new base was needed for the Island's economy which was found by lowering taxes to attract new residents and new money in the 1960s
- The economic base was strengthened in the 1980s as the Island developed as a finance centre.



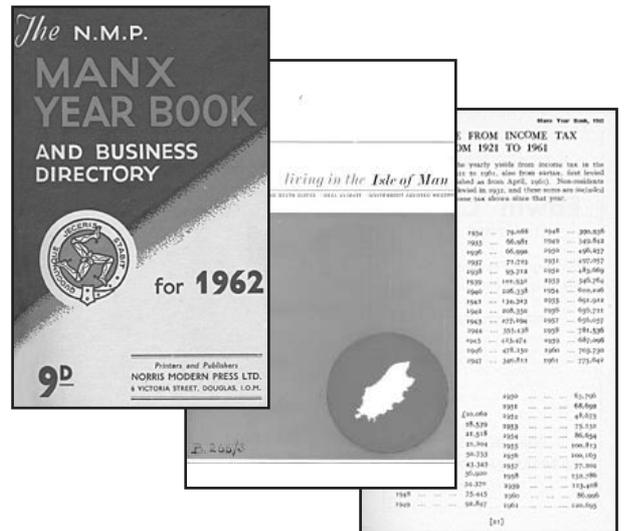
Clifford Irving, M.H.K.



The Isle of Man introduced Income Tax in 1918, but only because of Tynwald's decision to end the flour subsidy which had kept bread prices down during the war years. Tynwald could not control the resulting public protests at price rises which culminated in a General Strike. The Lieutenant Governor, Lord Raglan, who was also the Island's Chancellor of the Exchequer, conceded that the flour subsidy would remain as long as its British counterpart. The British Home Office refused to allow further increases in Manx indirect taxation to cover the costs, ordering the reluctant House of Keys and Council to bring in Income Tax, which was considered by the poorer sections of society to be a much fairer direct taxation method. Even with income tax, indirect taxation still accounted for 71% of revenue in 1918/19. One of the results of this crisis was the formation of the first Manx political party, the Manx Labour Party, in 1918 to pursue a programme for political and social reforms. The other was that the period of office of future Lieutenant Governors after Lord Raglan's resignation became a fixed term.

By the 1950s the traditional industries of farming, fishing and particularly tourism were in decline. Tourism's decline accelerated in the 1960s as holiday makers opted for cheaper package holidays in the Mediterranean. The Island population fell to 48,150 in 1961 as its labour force emigrated to find jobs elsewhere and taxation revenue fell too.

In an attempt to reverse the flow of population from the Island the 'New Residents' policy was launched which aimed to reduce Manx income tax to levels significantly lower than U.K. Surtax was abolished, as were Death Duties, to try to encourage wealthy older residents to the Island. Generous personal and business allowances were also offered to try to diversify the economy.



By the early 1980s the Island was developing as an off-shore finance centre, accounting for 25% of the Manx national income, while tourism had declined to 10% and the population figures stood at 64,679 in 1981, rising to 69,788 in 1991. Tynwald has continued to introduce new legislation aimed at boosting the rate of the Island's economic growth.



- Images of tourism decline
- The Speaker, Clifford Irving (Income Tax Commission member), and other M.H.K.s debate policy to reverse the population decline.

- Vote on the motion that *'the House approves the Income Tax (no. 2 Bill), reducing the income tax burden for high earning individuals on the Island'*.
- Voting results
- Images of busy street scenes, offices and business people