Meridian

Isle of Man DTA - Driven EoR Solution
Positioning Summary

Overview

This solution is built around legitimate tax set-off principles enabled by established double taxation treaties. It allows value to be created through differences between tax regimes, without reducing or avoiding UK payroll taxes.

What this is – and what it is not

This is not a tax avoidance scheme. All UK payroll taxes and National Insurance Contributions are paid in full and on time to HMRC. There is no reduction in UK tax paid by the client, the employees, or the UK employing entity.

The commercial benefit arises outside the UK, through the lawful utilisation of tax credits in the Isle of Man by third-party trading companies that are headquartered or tax-domiciled there.

How the solution works

- Employees remain employed by a UK Limited company rebranded to reflect the client's identity and continuity for the workforce held within the outsourcer's group.
- Payroll operates exactly as normal: PAYE, NIC, payslips, P60s, and pensions are all unaffected.
- The client simply receives a 'full consideration' invoice for the staff and pays that invoice in full.
- Client makes net wage payments direct to staff.
- Once the invoice is paid, all employment-related liabilities are paid in full to HMRC and the pension scheme provider.

Separately, the payroll taxes paid in the UK generate a tax credit that is carried into the Isle of Man under existing treaty principles. That credit is offset against Isle of Man corporation tax liabilities of Manx-domiciled trading companies. Because corporation tax in the Isle of Man is materially lower than in the UK, particularly for non-resident trading companies, this creates a surplus, which funds the commercial margin of the solution.

The solution does not **reduce or avoid UK payroll taxes** and does not expose the client to offshore employment or non-compliant arrangements.

Commercial terms

- No set-up or exit fees.
- No ongoing management fees.
- Two month's notice to terminate.
- Employees remain employed under their existing UK contracts and full statutory protection..

Timeframe and durability

- Typical implementation: around four weeks.
- Any change to the underlying framework would require multi-jurisdictional legislative action, including amendments to established tax treaties.
- Such a process would take several years and is not currently subject to public consultation.
- The provider is remunerated solely from the Isle of Man tax efficiency achieved.

Q&A

Is this tax avoidance?
No. All UK payroll taxes and NIC are paid in full to HMRC. There is no reduction in UK tax liability for the client or the employees.

Are employees employed offshore?
No. Employees remain employed by a bespoke client branded UK Limited company, under their existing UK contracts and full statutory protection.

Does HMRC have visibility?
Yes. UK payroll operates exactly as it would under any compliant UK employer. PAYE, NIC, and reporting are unchanged.

What happens if Isle of Man law changes?
Any legislative or regulatory change would affect only Isle of Man-domiciled entities. The UK client is contractually and operationally unaffected.