Funding the Future

The Isle of Man is still getting its VAT subsidy

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Those who argue with my analysis of the Isle of Man's VAT subsidy from the UK keep saying that I'm wrong because the revised Common Purse Agreement that gives rise to this £200 million plus subsidy a year was revised in 2007, and so the sum will be going down soon.

So I looked at the detailed budget for the Isle of Man for 2009/10 published this week for evidence that this might happen. It's here. Look at page 38.

In 2007/08 the Isle of Man had VAT receipts of £338 million - 56% of government income

In 2008/09 the figure is expected to be £338 million - 56% of government income.

In 2009/10 it is expected to be £292 million - 51% of government income from all sources.

So it has fallen - but not for the reason predicted. The VAT rate in the Isle of Man is, of course, set by the UK. So the fall from 17.5% to 15% cut this major source of revenue for the Manx Treasury. In fact, multiply £338 million by 15/17.5 and the answer is £290 million. In other words everything is carrying on as before.

The Common Purse Agreement is without doubt giving rise to subsidies to the Isle of Man exceeding £200 million a year.

Amazing, isn't it? I can think of 200 million better uses for that right now. None are in the Isle of Man.