

# The Isle of Man's VAT agreement - getting close to real...

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This [issue still rumbles on](#).

Whilst issue was focused elsewhere last week [the detailed reasons for the new arrangements](#) between the UK and the Isle of Man crept out. As I suggested a long time ago (back in 2007) the likelihood is that the Isle of Man has a very different VAT output structure to the UK - because so many of its sales relate to financial services which are VAT exempt and which therefore have no VAT due on them. In that case to simply pro rata VAT receipts on the basis of total turnover of the two places was always going to be wrong: if the turnover of one party was heavily dependent on VAT exempt outputs it would in that case recover too much VAT if that was done. The party benefitting was, of course, the Isle of Man

The UK has now realised this (at last) and has used this as the basis for, correctly, renegotiating the arrangement with the Isle of Man.

There [is still opposition in the Island](#) to the new deal which will, I am sure justifiably, take another £75 million from the Island each year, bringing the total adjustment now in line with my original estimate of the annual subsidy the UK was giving the Isle of Man each year.

But it's time for the Isle of Man to shut up - asking for a subsidy to be a tax haven is not going to win them any friends right now, and the sheer hypocrisy of the critics who want to use UK taxpayer's funds to subsidise the abuse they permit is extraordinary.

When will the Isle of Man realise it is time for plan B?