

e-business



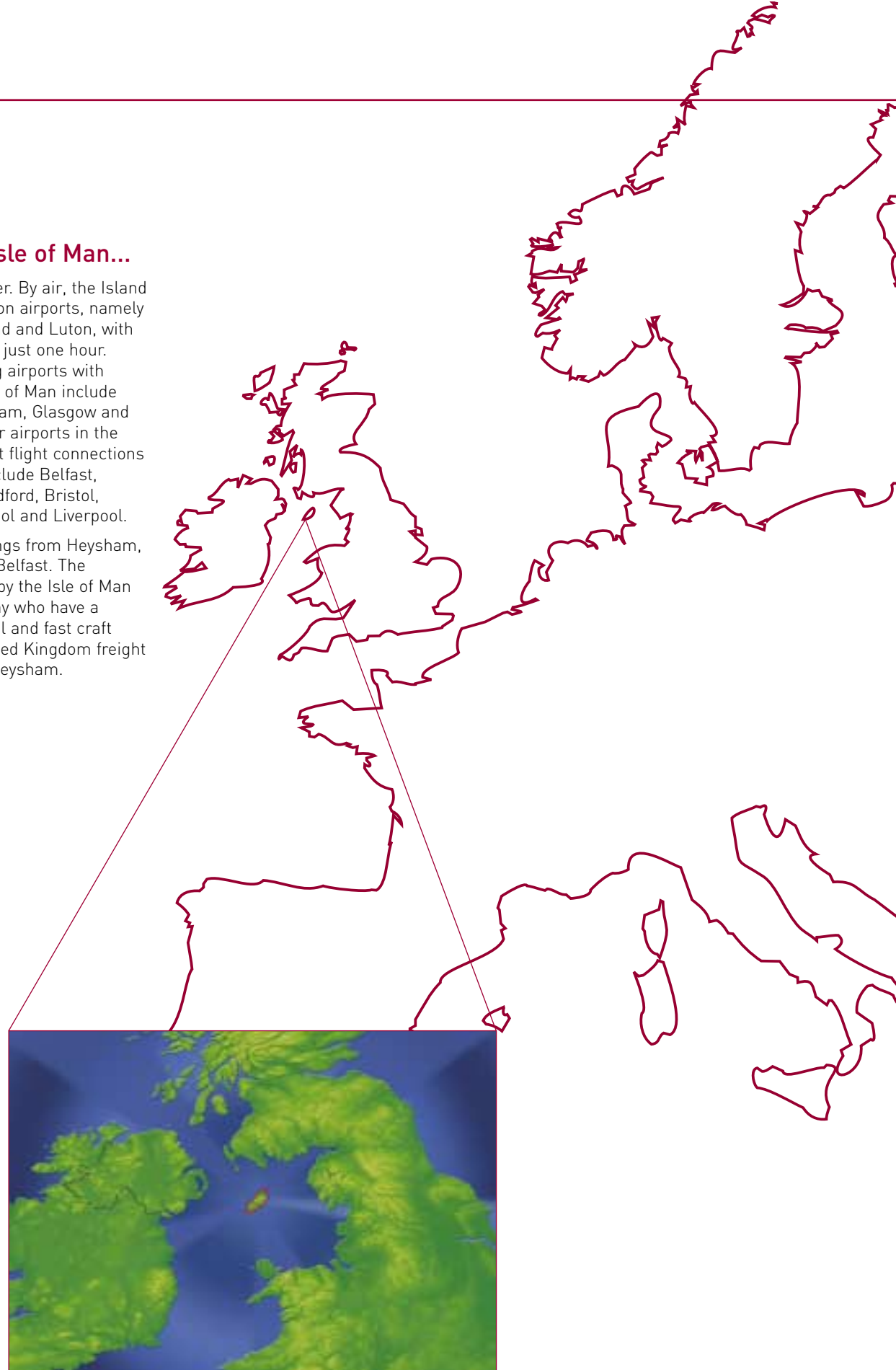
The advantages of locating your
e-business in the Isle of Man



Getting to the Isle of Man...

...just couldn't be easier. By air, the Island is served by four London airports, namely Gatwick, City, Stanstead and Luton, with the journey time being just one hour. Other major interlining airports with connections to the Isle of Man include Manchester, Birmingham, Glasgow and Dublin. There are other airports in the British Isles with direct flight connections to the Island, these include Belfast, Newcastle, Leeds/Bradford, Bristol, Southampton, Blackpool and Liverpool.

By sea, there are sailings from Heysham, Liverpool, Dublin and Belfast. The services are operated by the Isle of Man Steam Packet Company who have a mixture of conventional and fast craft vessels. The main United Kingdom freight port for the Island is Heysham.



The advantages of locating your e-business in the Isle of Man

Statement from the Treasury Minister

The last 12 months has been an important time for the development of e-business on the Isle of Man. Additional tax incentives have been introduced and developments made to the infrastructure, all aimed at improving still further the Island's position as a centre of excellence for e-business.

The Isle of Man was an early recogniser of the importance of e-business and has worked hard to implement strategies and policies to support business in this sector. In March this year, we accelerated the zero rate of corporate tax for the e-gaming sector which had originally been due for introduction in April 2006. The arrival of the zero rate for e-gaming 12 months early provides another important incentive for businesses to relocate to the Isle of Man.

The Island's telecommunications infrastructure is first class due to continued investment to the tune of £50 million over the last five years alone. Fast, reliable and resilient communications are a vital asset for any e-business and we compare very favourably with the best in the world. The Isle of Man was only the second jurisdiction in the world and the first in Europe to offer a UMTS 3G mobile telephone service. Later this year, we will be the first in Europe to launch the advanced of HSDPA "super fast" 3G technology.

The Island remains fully committed to providing a well regulated and commercially attractive economy for the benefit of international e-businesses and it is clear we have managed to stay at the cutting edge of international developments in recent years. We believe in encouraging enterprise in order to generate both jobs and income for our community. Our unique blend of being a supportive and committed Government, our world class telecoms, international financial services industry, low taxes, generous grants, political stability and enviable international reputation, all combine to ensure that the Island is at the forefront of international e-business jurisdictions. It is our ambition to not only maintain this position but to also improve on it in the years ahead.

Business friendly low rates of taxation and a state of the art telecoms infrastructure may attract businesses to the Island but the quality of life keeps them here. The Quality of Life Survey conducted by MORI showed there is a 93% satisfaction with the quality of life on the Island, significantly higher than that found in other jurisdictions. More than 90% of residents feel safe on the Island and two out of three are satisfied with how the Island is policed. Over 60% of residents also believe the Island's economic prospects have improved over the last five years.



**Isle of Man
Government**
Reiltys Ellan Vannin

Hon Allan Bell, MHK, Treasury Minister

Why the Isle of Man?

The Isle of Man offers many advantages as a location for e-business – each valuable in its own right. Taken together, they provide a distinctive package for companies to build and grow a successful business.

- Clear and unequivocal Government support for e-business
- A world class telecommunications infrastructure, with highly competitive telecoms costs on the Island
- One of the most attractive tax packages available to businesses
- 0% corporate tax for trading companies is to be introduced from April 2006
- No capital gains or inheritance taxes and import taxes are favourably comparable with any location
- The world's oldest continuous and democratic Parliament – Tynwald. The non-party political system means once a policy commitment is made, we have a reputation for seeing it through
- 'AAA' credit rating from Standard & Poor's and Moody's
- Offers a range of financial and tax benefits to qualifying companies, providing a business environment to nurture and support companies that are starting out
- A highly IT-literate workforce, over 90% of school leavers have a recognised IT qualification
- Excellent support services



- Neither part of the UK nor a member of the EU, allowing a high degree of independence in policy and legislation
- However, there is a special relationship with the EU which provides freedom of access for the sale of goods to the EU, and the relationship with the UK provides administrative simplicity for Isle of Man based businesses selling into the UK and EU
- Legislation supporting e-business and related matters
- The Island's independence and size means the needs of businesses are listened to and reacted to quickly, providing advantages that help them succeed in competitive markets

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➤ We are keen to attract businesses that will thrive in the environment offered

Target Industries

We are keen to attract businesses that will thrive in the environment offered, which tend to fall into one of the categories below. However, this does not mean all other business areas are eliminated, all proposals are welcome.

- Business continuity providers
- IT hosting and security management services
- Online gaming
- Interactive entertainment developers and publishers
- Software and software product development, R&D, distribution and support
- Electronic publishing companies, research companies, information and database providers, data warehouses and knowledge based companies
- Digital rights management and distribution for digitally-delivered products such as music and video
- Multimedia technology companies
- Travel, reservations and leisure-related services
- e-learning, training and similar services
- Supply chain management and e-trading communities
- Electronic billing, presentation and payment systems



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➤ We have no capital gains or inheritance taxes, and our personal tax rates are amongst the lowest in the offshore world

Taxation

The Island has a highly competitive taxation policy, a key benefit when establishing a business. Further developments over the last six months, such as zero rate tax for six business sectors clearly demonstrates our commitment to companies on and moving to the Island.

The Island is a jurisdiction of trust and probity, with regulatory controls that are highly regarded and a prestigious AAA rating from Standard and Poor's. Although an offshore jurisdiction, the Isle of Man has been careful to ensure that it meets the strict criteria of the OECD and the EU in avoiding being included in the lists of 'harmful' tax regimes.

We offer one of the most attractive and progressive taxation policies available. Our corporate tax levels of 10% for trading income and 18% for investment income are currently amongst the lowest anywhere. We have committed to delivering a zero rate of corporate tax by April 2006, other than for a core group of defined activities e.g. licensed

financial institutions. The Island's commitment to the zero rate is clearly evidenced by the advancing of the zero rate to April 2005 for six business activities, e-gaming, fishing, agriculture, tourist accommodation, film and TV production and manufacturing. These activities add to the existing zero rate for fund management, insurance, and aircraft and shipping operations.

We have no capital gains or inheritance taxes, and our personal tax rates are amongst the lowest in the offshore world. Our import duties also compare favourably with other locations.

Although not a member of the EU or part of the UK, we have a 'common purse' for VAT with the UK. This, coupled with our special relationship with the EU, gives us access to EU markets for goods and provides Island-based companies with simplicity of VAT administration for European markets that other offshore jurisdictions cannot match.

And, just as importantly, we have a unique, non-party form of Government which helps us avoid the sharp policy reversals that characterise many jurisdictions.

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➤ The Island has advanced fixed and mobile networks including fibre optic and fixed wireless backbone networks connecting all the main towns and business parks

Telecoms

e-business is critically dependent on a cost-effective and reliable telecommunications infrastructure. The Island has a world-class telecommunications infrastructure based on two fibre optic cable self-healing rings, both of which are operated by global telecoms operators, BT and Cable & Wireless. The rings connect the Island to the north of England and Northern Ireland, and provide effectively unlimited capacity for current and future e-business requirements including the activities of "bandwidth intensive" businesses such as e-gaming.

The total available off-island capacity amounts to 1,000Gbps which is equivalent to around 15 million simultaneous voice calls over the public telephone network or 1.5 million users simultaneously downloading information direct from the internet at the standard ADSL data rate of 512kb/s.

The Island has advanced fixed and mobile networks including fibre optic and fixed wireless backbone networks connecting all the main towns and business parks. It has near universal broadband ADSL coverage, wireless broadband coverage and a modern mobile network which is currently being upgraded to provide mobile broadband services using an advanced 'superfast' 3G HSDPA technology.

Unlike other island-based jurisdictions, we believe that in a smaller community, there is a real trade-off to be made between competition and investment. It ensures the best of

e-business



both worlds - good but realistic pricing coupled with quality of service and real investment for the future.

The Island's largest telecoms company by market share is Manx Telecom, a subsidiary of O2, a pan-European telecoms company listed on the London Stock Exchange. Manx Telecom, which operates fixed and mobile networks across the Island, and is currently investing in HSDPA mobile broadband technology, was awarded a new 15 year licence on the Island in January 2004.

In addition, Domicilium, the Island's longest established Internet Service Provider operates an independent high capacity switched MPLS communications backbone which extends throughout the Island and into the heart of the European communications hub in London. Domicilium was recently awarded an exclusive 15 year licence to provide fixed wireless broadband services to the Island using the 3.4GHz frequency band. Cable & Wireless also has a license to provide services on the Island and there are a number of other telecoms operators, service providers and IT companies competing in the Island's telecoms and IT markets.



Financial Assistance



The Department of Trade and Industry (DTI) has seen in excess of 100 million US dollars successfully invested in commercial projects over the past ten years. Its investment focus is now set to encourage all aspects of e-business.

The DTI's Financial Assistance Scheme can offer a generous package of support to qualifying businesses (excluding financial services).

- 40% plant and machinery grants, to include all hardware, software and maintenance contracts
- 40% building grants for new builds, extensions or modifications to existing buildings or for rents payable
- 40% revenue grants encompassing expenditure incurred in relocating a business or key individuals, consultancy, marketing, quality and environmental standards
- 50% training grants
- Tax incentives may be applied for as an alternative to the above grants
- All capital grants are ignored for the purposes of calculating capital allowances, a 100% capital allowance combined with maximum capital grant support can give an effective rate of support of 60% of the costs of capital assets
- The DTI has the ability to act as an equity investor and a guarantor in specific qualifying circumstances
- The above incentives apply to existing and new ventures and can be applied for on an annual basis
- The DTI's scheme can accommodate capital assets obtained on lease/hire purchase finance



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A Listening Government

The Isle of Man Government's role is to create the right environment for business development. The Island has the advantage of being a small community – around 75,000 at present. Our size allows us to react swiftly and effectively to events in world markets.

We believe fundamentally in a close Government and private working partnership. Access to senior Government officers and ministers is easier than in larger jurisdictions and is considered the 'norm'. We offer an open, listening Government which believes absolutely in its role of making its businesses as competitive and successful as they can be.



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Workforce

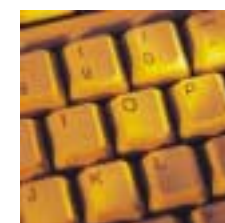
The Isle of Man offers a highly IT-literate workforce. We have invested heavily in ICT education, which a review by UK OFSTED inspectors described as "at the leading edge of developments internationally".

The programme is driven by educationalists themselves. It provides wireless laptops for every teacher, exceptionally high PC-to student ratios and its own dedicated wireless broadband backbone connecting every school. Facilities are provided to allow the efficient and effective management of schools as well as the collaborative development and delivery of curricular material using advanced ICT techniques and multimedia. We believe we have succeeded in making ICT a fundamental part of the education process in a programme which is the envy of our neighbours.

In 2004, over 90% of school leavers had a recognised IT qualification, and we expect to improve that in successive years. The latent workforce potential of this is considerable.

The workforce in employment is also highly ICT literate. Much of our workforce is involved directly and indirectly in the finance, insurance and support services industries, all of which have been rapid adopters of ICT and e-business. We also have strong software support, consultancy and IT services communities.

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e-Government

Like all Governments, e-business stands for more than just electronic access to Government – it brings us the opportunity to improve the efficiency and effectiveness of the services we deliver to the community and to business. We have embarked on an ambitious business and technology change programme, called JUPITER (Joined Up Information for The Electronic Resident), which will progressively e-enable Government, allowing resources to be focused increasingly on front line service delivery.



JUPITER is bringing about a fundamental change in the way the Isle of Man Government uses Information Technology to modernise the business of Government itself. It is achieving joined up working between different parts of Government alongside providing new, efficient and convenient ways for citizens and businesses to communicate with Government and to receive its services.

- Making Government and services more accessible – evaluating convenient access to services through extended hours of working in one stop shops, customer service centres, kiosks, etc
- Building services around citizen's choice – offering access to "joined-up" services that reflect customer preference as well as "life events"
- Ensuring electronic service delivery does not create a digital divide – ensuring that all citizens have equal access to services
- Creating a "One Mann" service - sharing common customer information between service areas, respecting data protection, with the objective of seamless and efficient public service delivery
- Creating one distinct corporate image of the Isle of Man Government as a leader in the provision of public service through modern delivery channels

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