

Isle of Man Budget 2026 – Treasury Minister’s Speech

* CHECK AGAINST DELIVERY *

Mr President, Honourable Members,

It is a privilege to stand in this Honourable Court today to present to the people we represent the 2026 Isle of Man Budget and five-year financial plan, a budget and plan for stability, security and confidence.

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I for one value every pound of the public’s money that we are considering spending to finance public services.

Value for other people’s money is what this budget is about, to provide stability and security in our public finances.

In that spirit this financial plan sets out a pathway towards reducing the Island’s reliance on general reserves despite a continuing need for significant public expenditure, overcoming the structural deficit in public finances through cost improvement and efficiency measures. More about that later.

Government revenue spending for 2026/27 is budgeted at £1.47 billion and includes an additional investment in public services of £83 million this coming year.

This year’s budget adds an extra £45 million for healthcare to make the annual budget £412 million, growing to a planned £483 million over the 5-year Medium Term Financial Strategy period, and £123 million more than it was in 2022/23. The increase in funding is driven mainly by mandate funding for Manx Care, marks the first departure from the post-Sir Jonathan Michael funding formula and is £32 million above the anticipated 2026/27 level in the 2025/26 Pink Book. Healthcare is important but the sustained and substantial increase in costs in recent years remains a significant risk to the achievement of our medium-term financial plan.

There is also £4.4 million more for the childcare strategy, vocational training assistance and apprenticeships, an additional £5.8 million to bolster Island security, and £2.8 million for the continued provision of vital infrastructure and transport services.

In fact, three quarters of the extra revenue funding departments bid for has been approved by Treasury, as is shown in the bid documents which are published concurrently with the other budget documents for the first time this year.

For 2026/27, capital expenditure is estimated to be around £85 million, combining the Government’s Capital Programme funded through the Capital Financing Reserve, and borrowing by Manx Utilities of over £35 million from the Consolidated Loans Fund, principally for electricity generation, regional sewerage, wastewater and water.

These investments are aimed at maintaining national infrastructure and to invest for community safety, as well as delivering efficiencies to increase public sector productivity.

Isle of Man Airport will see investment including £660,000 towards the modernisation and refurbishment of the main terminal building, and £335,000 for maintenance and improvements in the control tower. A further £200,000 is available in development funding to progress plans to extend the passenger holding area.

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£8.5 million is to be transferred to the Housing Deficiency Fund this year, and the same amount in each of the following four years, to support local authority housing schemes. The Housing and Communities Fund will receive an additional £1 million to support the work on homelessness and other activity of the Housing and Communities Board.

Existing funds for transforming the health service and supporting our agriculture industry will both be increased by £5 million, with £2 million available to maintain and replace building and property in education.

Over £2.6 million will be spent over three years upgrading and modernising the running track, all-weather pitch and mechanical and electrical systems in the main building at the National Sports Centre, with £700,000 available for public rights of way improvements.

Community safety is supported by a £4.1 million investment over the coming two years in vehicles for our Police and Fire and Rescue Service, plus £1.9 million in our Ambulance fleet. A further £2.5 million is committed over five years to replace other emergency service equipment including for Civil Defence.

The Transformation Fund includes an additional £2.5 million available to departments to implement schemes that are aimed at achieving efficiencies, and a further £5 million is placed in the Digital Projects Fund to target projects under £500,000 which will improve the delivery of public services.

The Project Development Fund will receive a further £2 million to enable Departments to complete full design and feasibility activities to more accurately scope and cost capital projects. These include important school investments in Castletown, Douglas and Peel, the proposed Manx Care Record, ambulance and emergency services facilities, highways, dredging, waste and digitisation projects.

Mr President, Honourable Members,

This additional revenue budget and capital funding will promote stability and security in line with the 2025 prioritisation of the Island Plan. This emphasised strengthening security at our ports and of our energy supply and off-Island connectivity, alongside the long-standing focus on economic growth, financial discipline, public sector efficiency, town and village vibrancy and housing.

But we also need a solid boost of confidence. Confidence to secure jobs, confidence to increase private investment and confidence to export and grow the economy.

That is why I added confidence to stability and security as the third byword for this year's budget title when taking up my new role a few weeks ago.

To encourage that confidence the Chief Minister and I signalled a substantial rise in the personal allowance alongside slowing down the rise in the minimum wage and cancelling the package of previously proposed minimum wage adaption measures in January.

The proposed rise will increase most taxpayer's take-home pay, lifting about 3,600 people out of the tax net, and is aimed at boosting disposable income and the local economy. It will make many taxpayers nearly £500 better off each year.

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Mr President, Honourable Members,

Today I am pleased to announce an increase in the personal tax allowance from April of £2,250 so that individuals will start paying on annual earnings over £17,000 and jointly assessed couples from £34,000. This is triple the £750 proposed until the budget revisions took place a few weeks ago, and that proposed £750 rise was already triple the only other rises since 2021.

This change is expected to reduce income tax receipts by up to £24 million. £15 million of that relates to measures introduced since I became Treasury Minister, partly offset by stronger income tax forecasts, resulting in a net additional reduction of income tax of £10 million.

This change to the personal tax allowance means that the higher rate of income tax — frozen at 21% — now becomes payable at an income over £23,500. This means someone working up to 35 hours a week on the new hourly minimum wage rate would not pay tax at the higher rate.

I have no changes to announce to income tax rates or bands or to the tax allowance taper or to the tax cap. However, there will be more help for people who provide TT Homestay this year as the tax allowance will rise from £2,350 to £2,500.

Turning now to National Insurance, today I am announcing a 4.8% increase in Class 1 National Insurance thresholds and limits, saving many of our Island's working people £45.76 per year.

Therefore, the Earnings Threshold at which employees and employers begin paying NI will increase from £168 to £176 per week. Combined with the Personal Allowance increase, an individual earning £25,000 will be £518.26 better off annually.

The Lower Earnings Limit will rise from £125 to £129 per week, following the UK changes announced on 26 November 2025.

The Upper Earnings Limit will increase from £1,032 to £1,082 per week.

For the coming year, there will be no increase in National Insurance rates. In particular there will be no change to employers' National Insurance contributions for the new financial year, enabling businesses to plan with confidence. This will mean employers will save up to £53.25 per year for each employee. Contrasting this with the UK an employer in the Isle of Man will pay almost £1,000 less per year per employee on a salary of £25,000 ensuring the Isle of Man remains an attractive and competitive place to do business.

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For the self-employed, the Class 4 thresholds will rise accordingly, and Class 2 and Class 3 voluntary contribution rates will increase in line with established practice.

The National Insurance Holiday Scheme will continue for returning Manx students.

I hope this is a step in a journey towards supporting employed and self-employed people with lower and middling earnings, putting more money in Islanders' pockets.

Pensioners will continue to benefit from the Triple Lock commitment and will see an increase of approximately 4.8% in their pensions. The Basic State Pension will increase by 4.8% to £184.90 a week and the Manx State Pension will also rise to £263.55 a week.

Most benefits will increase in line with inflation at September 2025 – reciprocal benefits by 3.8% (the UK CPI rate) and all others by 2.9% (Isle of Man CPI).

Two new benefits—Shared Parental Allowance and Parental Bereavement Allowance—were introduced last November. Work is under way with the Department for Enterprise on a new benefit to support individuals eligible for neonatal leave.

Beyond this, the permitted maximum tax deduction for nursing expenses will increase from £12,500 to £15,000.

Supporting our community through increases to pensions and benefits will cost £13.8 million, funded by £11.2 million from the Manx National Insurance Fund and £2.6 million from general revenue.

Mr President, Honourable Members,

The Manx National Insurance Fund, which currently stands at more than £1 billion, is a bedrock for social security and state pensions for now and for future generations.

Although total NI receipts are expected to exceed estimates by around £5 million in 2025/26, the Operating Account is still forecast to run a deficit of £27.3 million, with total benefit expenditure projected at £287.5 million. Furthermore, the calculation of the NHS Allocation from NI receipts was amended at the last budget, with the aim of

providing a further £10 million per annum. The NHS Allocation is therefore rising to £68.4 million for 2026/27, but I am pleased to confirm that the temporary increase in NHS allocation is only in place until 2029/30.

The next Government Actuary review into the Fund is due to start in April 2027 and will be published in the Spring of 2028.

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I want now to turn to public service efficiency and productivity to secure value for the public's money, as promised at the beginning of this speech.

The structural deficit for 2024/25 was £10.7 million, a significant improvement against the budgeted deficit of £89.7 million, but this reflected higher than expected income tax receipts, and the release of the Final Expenditure Revenue Sharing Arrangement provision, the mechanism UK and Isle of Man use to share revenue from indirect taxes, particularly VAT and customs/excise duties. For 2025/26, the structural deficit is forecast at £72.5 million, compared with the budgeted figure of £86.8 million. Moreover, through the five-year Medium Term Financial Strategy, an overall net deficit after reserve fund interest and returns is projected from 2026/27 until 2029/30, with a surplus forecast from 2030/31. Taking National Insurance returns into account the structural deficit only runs until 2027/28 with a surplus projected from 2028/29.

But let's not fool ourselves – public finances continue to face pressure. Although income grew, this did not fully offset expenditure pressures. The Government will continue to rely on investment returns generated by reserves during the transition period as further structural reforms, productivity gains, and efficiency improvements are delivered.

The financial plan includes provision to fully fund the estimated £50 million per year Capital Financing Reserve programme from revenue by 2029/30, dependent on stable capital delivery and inflation remaining in line with long term trends.

If we decide to increase capital expenditure beyond the estimated £50 million annual spend or accelerate the £250 million planned 5-year spend, we will have to consider alternative financing options or withdraw even more from our reserves.

That is why the optimisation and prioritisation of the capital programme is so important and why project development processes need to be sharpened.

I stress in this, my first budget speech, that controlling public expenditure and improving Government efficiency are crucial.

For instance, regarding healthcare, I emphasise that:

Manx Care has not received what it had bid despite the substantial increase in healthcare funding provided, and this coming year any healthcare overspend would

need to be drawn down from the Treasury controlled contingency fund rather than a departmental revenue contingency budget;

Moreover, the healthcare Financial Recovery Plan is aimed to deliver £6 million recurrent Cost Improvement Plan savings additional to the 1% cost improvement programme implied efficiency in the funding formula; and

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The DHSC, Manx Care Board and officers are identifying in-control and not in-control factors that are driving the recurring healthcare deficit. This, in turn will determine the appropriate level of sustainable funding and a Health and Care Funding Model for the future, as laid out in the Manx Care Mandate.

I believe the monthly scrutiny panels involving Treasury and spending department officers have started driving service-delivery efficiencies, and the forthcoming introduction and use of priority-based budgeting will further focus spending on strategic objectives to first reduce and then eliminate the need to draw down reserves to finance public expenditure.

I stress that the pay and non-pay budgets which are below inflation expectations are aimed to drive efficiency. I estimate that this means £5.6 million of savings will be achieved and £29 million will over the medium-term if there is adherence to the plan.

I am also pleased to join the Operational Performance and Change Board, to further link efficiencies to budgets.

Mr President, Honourable Members,

Before closing, I just want to speak briefly around a few important themes which provide context for this budget and beyond it.

The first is that the first Isle of Man bond maturity repayment, which probably seemed years away a few years ago, is now in our planning period, with the water bond due on 29th March 2030, and the electricity bond due in 2034. We have options to consider about this, as we have around things like the Energy from Waste Facility lease in 2028.

The second is that this year the public finances begin to benefit from a broadened tax base in the form of the 15% Domestic Top-up Tax on those large multinational enterprises that are in scope of Pillar 2 Global Minimum Tax. The first receipts are expected in March 2027, with £31m of budgeted additional tax revenue in 2026/27 and £35 million annually thereafter. Many of the businesses in-scope of Pillar 2 are important contributors in key sectors like life insurance which directly employs about 2,000 people on Island. I have instructed Treasury to work on potential grant regimes that will look to further incentivise the maintenance and growth of employment in this key sector.

Thirdly, investment in the Island's infrastructure is vital in maintaining and developing our economy. The Island Infrastructure Scheme is aimed to realise the potential of the Island's brownfield sites. The total private sector investment proposed across the five scheme sites is nearly £80 million and the Manx Development Corporation has redeveloped the former Nurse's home. In recent years the costs of construction have increased significantly and with that the viability of developing, in particular, brownfield sites has become more difficult.

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To inform future policy in this matter, the Brownfield Regeneration Steering Group last week commissioned a review into the impact of the rising costs of construction and the impact this has on the Manx Development Corporation. I hope to report back to Tynwald with the review's conclusions before the end of this parliamentary year.

Fourthly, Treasury Officers are now looking at a number of necessary amendments to our corporate income tax regime to ensure that it is fit for purpose in the context of the renewable energy sector having looked at petroleum activity previously.

A fifth theme is the need to plan beyond a successful MoneyVal evaluation so that businesses in our mature sectors like financial services, igaming and professional services can invest and partner for Island growth. The Island continues to meet an increasing number of international standards. Regulations implementing the Crypto Asset Reporting Framework, together with updates to the Common Reporting Standard, were approved in December. The Assessor of Income Tax has been and continues to closely monitor the ongoing work of the Organisation for Economic Co-operation and Development and the EU in particular with regard to the latest developments.

A sixth theme is the need to revisit Government's approach to areas such as construction, agriculture and food, hospitality and care to make sure our local economy thrives.

Mr President, Honourable Members,

Stability, security and confidence are what we need for our economy, our public finances and our public services.

The Island's economy has remained resilient over recent years, despite significant global headwinds. The high inflation we have seen recently has been gradually subsiding, and we expect inflation to fall closer to 2% throughout the year. The unemployment rate has been exceptionally low over the past year, at less than 1%: for much of the year the number of registered jobseekers has been below 300. While vacancies have fallen throughout the year, we remain encouraged by the prospects for future business growth, and the opportunities to capitalise on the Island's unique selling points.

Stability, security and confidence are in short supply globally, and we have a real opportunity to stand out. Income tax receipts for the current financial year are projected to reach £419 million, exceeding the original estimate by around £35 million. Government reserves are expected to remain broadly stable in the short term, supported by improved investment returns.

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Mr President, Honourable Members,

This 2026 Budget presents a responsible, evidence-based approach to securing the Island's financial stability and security. This budget and financial plan can continue to provide stable and secure public services and help to reduce structural deficits across the planning period with financial discipline.

That in itself should give us confidence.

It balances investment with discipline, supports those who need it and encourages everyone. It lays out a clear path towards a more resilient future.

That should give us confidence.

I commend this budget to those we represent and to this Honourable Court.

I beg to move.