



ISLE OF MAN PENSION SCHEME CHANGES

1) The Income Tax (Pensions) Act 2008

This Act introduced changes to the existing pensions legislation and became effective from 6 April 2008.

Here is a brief summary of the current features which are interesting from a tax view point.

Payments into a Pension Scheme:

- There is an annual contribution limit, not directly linked to earnings. The limit is £300,000 annually. Tax relief is restricted to net relevant earnings (NRE), but pension contributions can be made in excess of NRE up to a maximum of £300k p.a.
- Non-earners may contribute. The minimum tax relief is £3,600, and this is aimed at those with little or no net relevant earnings to encourage pension provision. Thus someone making a £5,000 pension contribution, who has no NRE, will get tax relief of £3,600 against other taxable income.
- It is possible to be a member of an occupational and a personal pension scheme at the same time.

The rules for the pension scheme itself and for payments out of the pension scheme were also relaxed.

Rules for Schemes:

- The maximum lump sum is 30% on retirement.
- Flexible retirement age.
- Annuity purchase optional, not mandatory.
- The fund remaining in the pension 'pot' at the death of the member will be taxed at 7½% on payment out to the beneficiaries.

The current legislation makes the Isle of Man a very favourable jurisdiction for tax purposes for pension schemes.

Individuals taking up residence in the Isle of Man, where a UK pension has not yet been taken, can have the pension fund transferred to the Isle of Man under the Qualifying Recognised Overseas Pension Scheme (QROPS) into a Self Invested Pension Plan (S.I.P.P). Thereafter the pension will operate under Isle of Man legislation and will benefit from the lower rates of tax and more flexible regime. Individuals becoming non-UK resident, even if they don't take up residence in the Isle of Man, can also have their UK pension fund transferred to the Isle of Man and benefit from its more attractive regime. Also see our note entitled "Isle of Man Residents with UK Pensions".

2) New Section 50C Pensions

This Isle of Man legislation was passed in October 2010. All new Section 50C Pensions have to be approved by the Assessor of Income Tax.



The specific characteristics of Section 50C pensions are:

- Available to residents and non-residents.
- Pension payments can commence from age 55.
- The income in the fund will be exempt from Isle of Man tax.
- No tax relief is available on contributions paid into the scheme.
- Pension payments out of the scheme to non-resident members will not be subject to Isle of Man withholding tax, unless paid to a UK resident person.
- Pension payments to Isle of Man resident members will be subject to Isle of Man Income Tax.

As can be seen pension schemes approved under Section 50C will be particularly attractive for non-Isle of Man residents.

If you would like to know more then please contact
Evelyn Corrin : evelyn.corrin@crowecw.im , John Cowan : john.cowan@crowecw.im
or Elaine Rudge : elaine.rudge@crowecw.im

Crowe Clark Whitehill LLC, 6th Floor, Victory House, Prospect Hill, Douglas IM1 1EQ
Tel: 01624 627335; Fax: 01624 677225; Web: www.crowecw.im