



# The Treasury *Yn Tashtey*

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## PRACTICE NOTE

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PN 158/09

Date: 13 August 2009

### ISLE OF MAN PENSIONS PAID TO NON-RESIDENTS

#### Introduction

This Practice Note is relevant to individuals who are not resident in the Isle of Man but who receive pensions from the Isle of Man, their agents and anybody who pays pensions that are liable to Isle of Man tax to non-resident individuals (referred to below as pension providers).

As part of its programme of developing closer economic and taxation co-operation with other countries, the Isle of Man has concluded new tax agreements with a number of other countries. Many of the new agreements provide that the Isle of Man can continue to tax pensions paid to a non-resident (i.e. there is no change to the current position) but some of the agreements provide that pensions should only be taxed in the recipient's country of residence. This means that instead of having Isle of Man income tax deducted from the pension, the recipient can claim to have their pension paid gross.

This Practice Note explains how those agreements, which provide that a pension paid to a non-resident should only be taxed in the recipient's country of residence, will work in practice. **It is important to note that pension providers can only stop deducting Isle of Man income tax from a pension if expressly instructed to do so by the Income Tax Division (the Division).**

It is possible for a person to be tax resident in more than one country. The guidance in this Practice Note applies to individuals who are resident for tax purposes in a country with which the Isle of Man has an agreement and who are not also resident in the Isle of Man. Individuals who are tax resident in more than one country, may need to consider the full text of the relevant agreement and consult the taxation authorities in their country of residence.

The full texts of the agreements are available on the Division's website (<http://www.gov.im/incometax>).

### ***Who can make a claim?***

To be eligible to receive a pension without having Isle of Man income tax deducted an individual must –

- a) not be tax resident in the Isle of Man;
- b) be tax resident in a country with which the Isle of Man has an agreement which provides that pensions are taxable only in the country of residence; and
- c) meet any other conditions set out in the relevant agreement e.g. be receiving a particular type of pension.

Non-resident individuals will only be able to receive their pension without the deduction of Isle of Man tax if they make a claim to the Division, that claim is accepted and the Division instructs the pension provider to stop deducting Isle of Man tax.

### ***Making a Claim***

To make a claim, non-resident individuals must complete form R221 'Pensions Income – Application for relief from Isle of Man Income Tax' and send it to the tax authority in their country of residence (e.g. UK residents should send their forms to HM Revenue & Customs (HMRC)) for confirmation of their residency status. Once completed by the relevant tax authority, it must then be submitted to the Division. If the claim is approved by the Division, it will instruct the pension provider that the pension can be paid gross without the deduction of Isle of Man income tax at source. Any previous overpayments of Isle of Man tax will be refunded by either the pension provider or the Division.

If a claim for relief is approved by the Division the claimant must thereafter notify the Division of any change in their residence status as should the pension provider should they become aware of any changes which may affect the taxation of the pension. The Division will also periodically review claims to verify that claimants continue to qualify for the relief.

A copy of form R221 'Pensions Income – Application for relief from Isle of Man Income Tax' can be obtained from the Division's website [www.gov.im/incometax](http://www.gov.im/incometax).

**M Couch**

**Assessor of Income Tax**

This practice note is intended only as a general guide and must be read in conjunction with the appropriate legislation. It does not have any binding force and does not affect a person's right of appeal on points concerning their own liability to income tax.

Comments and suggestions for improvements of issued Practice Notes and suggestions for future Practice Notes are always welcome.