Statutory Document No. 2015/0180

Income Tax (Retirement Benefit Schemes) Act 1978 and Income Tax Act 1989

INCOME TAX (APPROVED PENSION SCHEMES) (WITHDRAWAL OF FUNDS) REGULATIONS 2015

Approved by Tynwald: *16 June 2015*
Coming into Operation: *19 June 2015*

The Treasury makes the following Regulations under paragraph 5 of Schedule 2 to the Income Tax (Retirement Benefit Schemes) Act 1978 and sections 4A(3) and 6A(3) of the Income Tax Act 1989.

1 Title

These Regulations are the Income Tax (Approved Pension Schemes) (Withdrawal of Funds) Regulations 2015.

2 Commencement

If approved by Tynwald, these Regulations come into operation on 19 June 2015[1].

3 Interpretation

In these Regulations –

"the 1978 Act" means the Income Tax (Retirement Benefit Schemes) Act 1978;

"the 1989 Act" means the Income Tax Act 1989;

"approved pension scheme" means any scheme approved by the Assessor under the 1978 Act or the 1989 Act;

"basis amount" is the amount of pension calculated in accordance with regulation 5;

"basis amount table" means Table 1 or Table 3 of the 2011 Drawdown Pension Tables, which are compiled by the United Kingdom Government Actuary's Department or any tables which the Assessor may publish for this purpose;

[1]Tynwald approval is required by paragraph 6 of Schedule 2 to the Income Tax (Retirement Benefit Schemes) Act 1978 and by sections 4A(5) and 6A(5) of the Income Tax Act 1989.

"dependant" means any person who was married to (or civil partner of) the member at the date of the member's death or who is a child of the member who has not attained age 18 or such other person who has attained age 18 and who was (at the death of the member) dependent upon the member because of mental or physical impairment;

"gilt index yield" means the yield on 15 year UK Gilts published daily in the Financial Times newspaper for the 15th day of the calendar month before the calendar month in which the reference date falls but if the 15th day of the preceding calendar month is not a working day, the published rate for the next following working day must be used;

"minimum rate of withdrawal" is 0% of the basis amount for members under the age of 75 and 35% of the basis amount in all other cases where the member or dependant in receipt of the withdrawal of funds is resident in the Island;

"member" includes –

(a) an employee as defined in section 14 of the 1978 Act; and

(b) an individual, being a member of a personal pension scheme, who makes arrangements in accordance with a scheme approved under Part 1 of the 1989 Act;

"reference date" is the date on which the withdrawal of funds is calculated and must not be more than 60 days before the date on which the resulting withdrawal of funds is first paid;

"scheme administrator" has the same meaning as the definition of this term in section 1 of the 1989 Act and as the definition of "administrator" in section 14 of the 1978 Act as applicable;

"value of the member's fund" is the amount of fund available to pay a pension to the member or dependant after deduction of the amount paid or payable to the member as a lump sum under section 1(3)(d), 2(2)(i)(ii) or 2A of the 1978 Act or section 5 or 5B of the 1989Act;

"withdrawal of funds" is the amount of pension that could be paid, being an amount based on the basis amount, subject to the minimum and maximum rates of withdrawal available to the member or dependant.

4 Gilt Index Yield

The gilt index yield determined in accordance with these Regulations must be rounded down to the next 0.25% unless the published rate is an exact multiple of 0.25%.

5 The Basis Amount

The basis amount is –

A x B

where –

A = value of the member's fund on the reference date divided by 1000

B = the income yield determined using the appropriate basis amount table calculated in respect of the age of the member and the relevant gilt index yield, adjusted in accordance with regulation 4.

6 Minimum and Maximum Withdrawal of Funds

A member or dependant may withdraw funds at any rate between the minimum rate of withdrawal and 150% of the basis amount per annum, or such other rate as determined by an actuary to provide a pension for the life of the member or dependant.

7 Periodic Review

(1) The withdrawal of funds determined in accordance with these Regulations must be reviewed by the scheme administrator before the third anniversary of the first withdrawal of funds, and subsequently at least once every three years after the first review.

(2) If, on review, the scheme administrator determines the withdrawal of funds should be higher or lower than that paid immediately before the review in order to comply with the minimum and maximum rates of withdrawal available to the individual in receipt of the withdrawal of funds, the level of funds withdrawn must be adjusted in accordance with these Regulations.

8 Treatment of Fund Remnant

(1) Subject to regulation 9, following the withdrawal of funds in accordance with these Regulations one lump sum may be paid to a member or to each of the member's dependants if –

(a) the value of the lump sum, or the total value of the lump sums if there is more than one dependant, does not exceed the value of the commutation limit as defined in the Income Tax (Approved Pension Schemes) (Trivial Commutation Lump Sums) Regulations 2008[2];

(b) the value of the lump sum, or the total value of the lump sums if there is more than one dependant, extinguishes the fund and therefore a member's entitlement, or the dependant's entitlement in respect of the member's fund, to benefits under the approved pension scheme; and

(c) it is paid when the member has reached the age of 60.

[2] SD 508/08

(2) The scheme administrator may make the payment, in accordance with regulation 9 despite any provision of the rules of the scheme or arrangement, however framed, prohibiting the making of the payment.

9 Taxation of Fund Remnant

A lump sum payment made in accordance with regulation 8 will be chargeable to income tax –

(a) if paid in respect of benefits accrued with a scheme approved under the 1978 Act, in accordance with section 10A of that Act; or

(b) if paid in respect of benefits accrued with a scheme or arrangement approved under Part 1 of the 1989 Act, in accordance with section 22A of that Act.

MADE 13TH MAY 2015

W E Teare
Minister for the Treasury

EXPLANATORY NOTE

(This note is not part of the Regulations)

The withdrawal of funds is the ability to pay a pension directly from accumulated pension funds without the need to purchase an annuity. These Regulations provide the calculation of the annual pension, options available to the member to increase or decrease the amount and requirements for the periodic review of the amount payable.

The Regulations also provide for the remainder of a pension to be paid as a lump sum to the member or their dependant(s) once the value of the fund is less than or equal to the commutation limit defined in the Income Tax (Approved Pension Schemes) (Trivial Commutation Lump Sums) Regulations 2008.