
PRACTICE NOTE

PN 221/23

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PENSION SCHEMES REPORTING REQUIREMENTS UPON THE DEATH OF THE MEMBER OR A TRANSFER INTO ANOTHER PENSION SCHEME

1. Introduction

This Practice Note is intended for pension scheme administrators and sets out the reporting requirements upon the death of a member of an approved pension scheme or the transfer of funds out of an approved pension scheme.

This practice note together with the new Guidance Note GN62 now replaces Practice Note 165/10.

2. Isle of Man Approved Pension Schemes

Isle of Man pension schemes can be approved by the Assessor under the following legislation:

- Income Tax (Retirement Benefit Schemes) Act 1978 – ('1978 Act');
- Income Tax Act 1989 – ('1989 Act');
- Section 50B of the Income Tax Act 1970 - ('50B');
- Section 50C of the Income Tax Act 1970 – ('50C'); or
- Part 5A 61H of the Income Tax Act 1970 – ('61H').

Pension schemes are approved by the Assessor on the basis that the pension scheme rules are being correctly applied by the scheme administrators and are in line with the relevant Income Tax legislation and regulations.

This legislation includes specific requirements to notify the Assessor if a member dies or if a pension scheme fund is transferred into another scheme.

3. Consequences of Not Notifying the Assessor of Deaths Or Transfers

If the death of a pension scheme member, or a transfer of a pension scheme fund, is not properly administered as per the relevant legislation and guidance then there may be serious consequences for the member and the Scheme Administrator.

The following are the main income tax consequences of not correctly notifying the Assessor of a scheme member's death or a pension scheme transfer:

- The Assessor may withdraw the approval status of the scheme for income tax purposes.
 - o This would result in tax relief no longer being available on any contributions paid into the scheme by any member and any income arising within the scheme would also then become taxable.
- The member may be liable to 20% tax on any unauthorised payments made out of the scheme along with a supplementary 20% charge.
- The Pension scheme administrator could be subject to additional non-compliance penalties under the Income Tax (Instalment Payments) Act 1974.

4. New Notification Forms

From the date of this practice note the Assessor has introduced two new reporting forms to assist pension scheme administrators in meeting the required reporting conditions. The following forms are now available on the [forms page](#) of our website:

- Pensions Notification Form (R260) – Death of a Member
- Pensions Notification Form (R261) – Transfer Request

Nicola Guffogg
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.