



INCOME TAX

EXTRA STATUTORY CONCESSION

**APPROVED PENSION SCHEMES – TRIVIAL
COMMUTATION LUMP SUMS**

Approved by Tynwald

19th June 2007

Notwithstanding the provisions of the Income Tax Acts the Treasury authorises the following concession -

1. This Concession has effect in respect of the assessment year commencing on 6th April 2007 and all subsequent assessment years until it is withdrawn or until it is superseded by statute.
2. This concession permits the trustees of any personal or occupational pension scheme which the Assessor of Income Tax has approved under the provisions of the Income Tax (Retirement Benefit Schemes) Act 1978 or Part 1 of the Income Tax Act 1989 to pay a trivial commutation lump sum to a scheme member.
3. For the purposes of this concession—

“Pension fund” means the total value of a member’s entitlement held by the pension trustees to be used to pay pension benefits to the member. It includes the value of the member’s crystallised and uncrystallised pension rights on the nominated date of commutation;

“Trivial commutation lump sum” is a lump sum or aggregate of lump sums from all the pension funds in which the member holds an entitlement that when paid:-

- i) does not exceed the commutation limit;
- ii) extinguishes the member’s pension fund under the pension scheme.

4. The commutation limit is £16,000.
5. For the purpose of determining whether or not the commutation limit is exceeded under paragraph 4, any scheme pension which the member is in receipt of shall be taken to be a lump sum with a value equal to 20 x the annual rate of pension.
6. There is no restriction on the number of trivial commutation lump sums that may be paid, providing that the aggregate does not exceed the commutation limit.
7. Except on the winding up of a scheme or incapacity of the member, commutation of pension in accordance with this concession will only be allowed if the member has reached the age of 60.
8. The commuted amount paid will be liable to income tax.
9. The first 25% of the trivial lump sum may be paid without deduction of income tax, the balance shall be subject to income tax at the lower rate, 10%.
10. Income tax shall be deducted by the scheme administrator and remitted to the Income Tax Division within 14 days of the date of the payment of the trivial lump sum to the member.
11. This concession is of general application, but it must be borne in mind that in a particular case there may be special circumstances which will require to be taken into account in considering the application of the

concession. This concession will be withdrawn in any case where it can be seen that the concession has been or is intended to be subject to abuse.

MADE 23rd May 2007



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Minister for the Treasury

EXPLANATORY NOTE
(This note is not part of the Concession)

Significant changes have been made to the pension legislation in the United Kingdom recently. The intention of this concession is to extend similar benefits available in the United Kingdom to Manx pension schemes.

This concession allows pension trustees to make trivial commutation payments of up to £16,000 to a member in instances where the member opts to 'cash-in' a pension fund or where the member is unable to acquire a suitable pension (e.g. annuity) due to the small fund available.