



Assessor  
**M Couch**

Telephone: (01624) 685400  
Fax: (01624) 685351  
E-mail: [incometax@itd.treasury.gov.im](mailto:incometax@itd.treasury.gov.im)  
Website: [www.gov.im/incometax](http://www.gov.im/incometax)

---

---

## PRACTICE NOTE

---

---

**PN 164/10**

**Date: 27 October 2010**

### NEW ISLE OF MAN PENSION SCHEME

#### 1. Introduction

A new type of pension scheme has been approved by Tynwald<sup>1</sup> and became available in the Isle of Man from 22 October 2010. The scheme, provided by the addition of section 50C ("50C scheme") to the Income Tax Act 1970, is open to the domestic pension market and to international investors.

#### 2. Main Characteristics

The main characteristics of a 50C scheme are:

- it is available to residents and non-residents;
- it will be registered with the Insurance and Pensions Authority;
- it will be approved by the Assessor of Income Tax to ensure that it satisfies the statutory requirements;
- it will be properly established under irrevocable trusts governed by the laws of the Isle of Man;
- its sole purpose must be to provide relevant benefits for the member;
- unless the ill health condition is met, the payment of benefits cannot commence until the member attains the age of 55;
- at least 70% of tax-relieved funds are to provide the member with an income for life;
- its income from investments or deposits will be exempt from Isle of Man income tax;

---

<sup>1</sup> Statutory Document 807/10: the Income Tax (Pensions) (Temporary Taxation) Order 2010, approved by Tynwald on 19 October 2010.

- its administrator and at least one trustee will be resident in the Isle of Man; and
- its administrator will have a fixed place of business in the Isle of Man, from which the administrator's business is conducted.

### **3. Taxation**

The exemption from income tax in respect of income derived from 50C scheme investments or deposits will be allowed if the Assessor is satisfied that the investments or deposits are held for the sole purpose of providing relevant benefits. Relevant benefits are defined as any pension, annuity, lump sum, gratuity or other like benefit given or to be given on retirement or death, or in anticipation of retirement.

Contributions into a 50C scheme will not be deductible for tax purposes against the total income of the member or against the profit of an employer.

Pension payments from a 50C scheme will be made without the deduction of income tax at source. Such payments will be taxable income when received by an Isle of Man resident individual and will not be chargeable to Isle of Man income tax in the hands of a non-resident individual.

Unauthorised payments made out of a 50C scheme fund will be taxable, and will also be subject to a supplementary charge of 20% of their value. Any tax charges on unauthorised payments will not be subject to the tax cap for Isle of Man resident individuals.

### **4. Contracted-out/Protected Rights Transfers**

Should a 50C scheme wish to accept contracted-out rights or protected rights transfers, an application will need to be made to the Department of Social Care for approval as an 'Appropriate Scheme'. Only when this approval is given can the scheme accept transfers of contracted-out rights or protected rights. Scheme rules will need to reflect the extra requirements placed on the scheme under Department of Social Care legislation: for example, that only 25% of the fund relating to contracted-out rights or protected rights can be used to provide a lump sum; and, that trivial commutation is available where the value of the fund falls below prescribed levels.

**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, and suggestions for future Practice Notes are always welcome.