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ISLE OF MAN SMALL SELF-ADMINISTERED PENSION SCHEMES

- = Primary suitability is for director(s) pension provision in profitable private company situations. Directors and senior employees (maximum 12) can be included as members, with different contribution levels for each.
- = Equally attractive as a tax-planning device for receipt of transfer monies from UK schemes (including UK small self-administered pension schemes). Otherwise, IOM-resident members of UK schemes often find that their pensions are receivable from the UK net of irrecoverable UK income taxes, thus losing the normal benefits of lower IOM tax rates. This problem can be averted through establishment of an IOM approved scheme and transfer of benefits to it prior to retirement.
- = Trustees of small self-administered pension schemes (SSASs) retain considerable degree of control over investments and benefits (see below). Importantly, pension contributions can be invested back into the business in a number of ways.
- = Investment possibilities include the usual forms of investment (shares, bonds, unit trusts etc) but also permit self-investment in the form of loan-backs to the company, purchase of commercial property (and lease-back to company) etc.
- = Pension schemes can also borrow (within limits) if required.
- = Flexible and high funding limits can be utilised to maximise pension, if required. Benefit limits, including tax-free lump sum, are the same as for ordinary IOM occupational pension schemes. Maximum pension benefits are 2/3 rds of final remuneration accrued over 20 years.

- = Pension contributions by company and (optionally) by employees are fully tax-deductible within funding limits.
- = Unlike UK schemes, Isle of Man schemes are not subject to a pension earnings cap (although there are restrictions on the maximum lump sum that may be taken).
- = A major benefit of an Isle of Man SSAS is that purchase of an annuity (to provide a pension at retirement) is currently not compulsory. The SSAS route therefore provides a useful means of estate planning and, given the right circumstances, can be used to cascade wealth tax-efficiently from one generation to the next. Expert professional advice is needed, though, to ensure that potential pitfalls (eg on death) are avoided by proper planning.
- = Standard procedures exist for transfers to be made between UK and IOM schemes. An added advantage here is that, on current practice, retained benefits transferred in from the UK are disregarded by the Assessor of Income Taxes and do not count at all towards the maximum benefits that can be taken from an IOM scheme.
- = No insurance company (or insurance commission) is involved.
- = Every SSAS has to appoint an approved '*pensioner trustee*' whose role is to ensure that the scheme operates within the rules laid down by the Assessor of Income Tax and, in particular, that the scheme is not wound up other than in accordance with the provisions of its Trust Deed and Rules.
- = It is also normally a requirement for SSASs to have triennial actuarial funding reviews.

Boal & Co is a locally based firm of actuaries and consultants with expertise in relation to establishment and administration of small self-administered pension schemes. Through our pensions subsidiary Boal & Co (Pensions) Ltd we can provide specimen trust deed and rules, arrange approval by the Assessor of Income Taxes, provide ongoing advice and administrative services, act as pensioner trustee, and provide actuarial advice in relation to initial and ongoing funding levels. We also, importantly, have excellent connections with the office of the Assessor of Income Tax, whose officials have to formally approve new schemes and certain types of self-investment.

As a guide to fee levels, initial establishment and approval of an Isle of Man SSAS, comprising specimen legal documentation, initial meetings and actuarial report, can be achieved at a typical cost of £1,995 plus VAT. For cases involving transfers from UK schemes, additional fees are charged on a time-cost basis and estimates are available upon application. Fees thereafter for ongoing pensioner trustee and actuarial services are calculated on a time-charge basis, subject to a £910 pa (plus VAT) minimum charge. If the Isle of Man Scheme is subject to registration with Her Majesty's Revenue & Customs (HMRC) in the UK to allow the transfer of assets from a UK pension scheme, additional fees of £200 plus VAT and £100 plus VAT apply for establishment and ongoing fees respectively.

For further information about Isle of Man Small Self-Administered Pension Schemes or to arrange a meeting without obligation, please contact Gary Boal gboal@boal.co.uk, Sharron Clucas sclucas@boal.co.uk or Mark Kiernan mkiernan@boal.co.uk on (01624) 824181.

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