

New '50C' Isle of Man Pension Legislation Welcomed

(Press Release)

Measures to allow a brand new form of pension scheme have been passed by Tynwald, the Isle of Man parliament.

The Income Tax (Pension) (Temporary Taxation) Order 2010 was passed into law by Tynwald yesterday (19 October). The Order takes effect on 22 October 2010 and amongst its measures is the basis for a new form of pension scheme, to be approved under s50C of the Income Tax Act 1970.

Gary Boal, Managing Director at Boal & Co, explained: 'Section 50B of the same Act already provides for international corporate and personal pension schemes, available to non-residents of the Island, and is the basis for the establishment of many international company pension schemes on the Isle of Man – a sector in which we have a leading presence.

'At Boal & Co we had a very close input to the legislation, as it follows a detailed submission we made to the Department of Economic Development (DED) some six months ago. We are grateful to DED for its support, and in turn to Treasury Department and to Tynwald, which within 6 months has now seen the creation of legislation which will without doubt provide a massive boost to the Island's blooming pensions sector.'

Whereas 50B schemes are restricted to non-residents, 50C schemes are open to both residents and non-residents.

50C schemes operate, like 50B, on a 'TEE' basis, meaning there is:

- I No tax relief for contributions (T)
- I Tax exemption (E) on the investment return in the scheme, and
- I Tax exemption (E), ie no tax deduction, on authorised benefits paid out under the scheme rules – and this applies equally to benefits paid as pensions, as lump sums, and on death.

Certain provisions written into the legislation ensure that schemes approved under 50C can also readily satisfy the QROPS requirements laid down in UK legislation which permit transfers of UK pensions to qualifying recognised overseas pension schemes ("QROPS").

Boal & Co Director Mark Kiernan added: 'We are delighted with the new legislation. It means that, for QROPS business, the Isle of Man now has a hugely competitive offering, facilitating the payment of benefits without deduction of tax, in a regime which is fully-regulated under the Island's Retirement Benefits Schemes Act 2000.

'Boal & Co also happens to have a new pension scheme which has been sitting and waiting for 50C approval to become possible, and on 22 October we will have the very first 50C scheme to be tax-approved, under legislation that we rightly feel has been made to order.

'However, as good as this is, it is not the full story. The bigger picture is much, much better than this, and we will reveal all in a further announcement to be made on 1 November 2010.'