

Transferring to an Isle of Man pension scheme – key things to think about

If you are thinking about transferring your benefits from ZCashBuilder to an Isle of Man pension arrangement, there are some things you may need to be aware of and think about.

A list of these is set out below as an initial guide. This is not intended to be financial advice or as a substitute for any financial advice you need on your benefit options.

You can also find out more about transferring a UK pension to an overseas arrangement on www.moneyhelper.org.uk.

1. Your transfer must be to Qualifying Recognised Overseas Pension Scheme (QROPS)

You are only able to transfer your ZCashBuilder benefits overseas if the receiving scheme is a QROPS.

A QROPS is a type of overseas pension scheme which can receive funds from a UK registered pension scheme without incurring unauthorised payment charges. Before allowing a transfer overseas to proceed, the ZPen Trustee must check the receiving scheme is a QROPS (but you can also ask the scheme if they are a QROPS).

An Isle of Man scheme can be classified as a QROPS if it meets HMRC's requirements. Part of this includes agreeing to specific HMRC notification requirements. For instance, the scheme manager must notify HMRC if an overseas transfer charge is applicable within five years of the transfer due to a change in the member's circumstances. Additionally, the scheme manager must report certain payments, including benefit payments and transfer-outs, to HMRC.

If you want to transfer to an Isle of Man pension arrangement you are responsible for making sure that the receiving scheme is a QROPS.

2. You will need to select the scheme you want to transfer to

Once you have selected an Isle of Man scheme, and confirmed that it is a QROPS, you should tell them you want to transfer in your ZCashBuilder benefits and provide them with the information they need. They should then contact the ZCashBuilder team to start the transfer process.

3. You may need to pay an Overseas Transfers Charge

Funds transferred to a QROPS in the Isle of Man may be subject to an overseas transfer charge of 25%. However, you are exempt from this if one of the following applies:

- You are a resident in the Isle of Man.
- You are working for an employer in the Isle of Man and you are transferring to their pension scheme.
- You are transferring to a public sector pension scheme in the Isle of Man.

IMPORTANT: The overseas transfer charge can also apply **up to five full tax years** after the transfer takes place. So if you were to transfer to an Isle of Man scheme and then leave the Isle of Man you could become liable for an overseas transfer charge.

4. Your transfer will be subject to the Overseas Transfer Allowance

The maximum funds you are able to transfer to a QROPS is £1,073,100 and you'll pay a 25% tax charge on any amount transferred over this.

5. UK tax rules won't stop applying to your benefits right away

If you want to take your benefits under the Isle of Man tax rules you would need to transfer to a pension scheme that is solely registered in the Isle of Man. UK tax rules would then stop applying your benefits:

If you have always been resident in the Isle of Man - once you take your benefits and provided you transferred your UK pension benefits more than 5 years before taking them.

OR

If you are resident on the Isle of Man but have previously been resident in the UK – once you take your benefits and provided you transferred your UK pension benefits more than 10 years before taking them.

The UK tax rules on Overseas Transfer Charges would also apply to your transfer if you cease to be resident in the Isle of Man within five years of your transfer.

This means that you need to think about your future plans and where you might live in future very carefully before deciding whether to transfer is right for you

6. You will need to complete and pass the Scheme's pre-transfer checks

New requirements for transferring were introduced by the UK government in 2021 with the aim of helping to identify pension scams and protect your pension savings. These requirements apply to all transfers, even where it seems apparent that the receiving scheme is not a scam.

Under these regulations the Trustee has to ask for certain information and carry out a number of checks on the transfer and the receiving scheme. Following these checks, it may be necessary to attend an appointment with MoneyHelper before the transfer can proceed.

In order to carry out the required checks you will need to provide the following information to the Scheme:

- a) Certificate of residence: This is to prove that you have the right to live on the Isle of Man. The Trustee is aware that the Isle of Man does not issue certificates of residence however, the regulations still require the Trustee to see this as evidence. To help those wishing to transfer to an Isle of Man pension scheme the Trustee has agreed that if you were born in the Isle of Man you can send a copy of your birth certificate.

If you were not born in the Isle of Man you can sign a 'Declaration of right to live in the Isle of Man'. Let us know if you need a copy of this declaration.

- b) Evidence you are currently living in the Isle of Man: this can include:

- Evidence that you are paying tax in the Isle of Man
- TV licence, utility bills, bank or credit card statements that show your current Isle of Man address.

- c) Information on the receiving scheme: this will include information on the funds you will be investing in and the charges you will be paying as the Trustee has to check if this includes:
- investments which are high risk, unregulated, overseas, complex, unclear or unorthodox.
 - charges which are high or unclear.
- d) As this is an overseas transfer it is possible that you will be transferring to overseas investment funds in which case you will need to attend a MoneyHelper appointment in order for the transfer to proceed. Not all transfers to an Isle of Man arrangement require a MoneyHelper appointment but if you believe that transferring is the best decision for you and your retirement plans, then being referred for a MoneyHelper appointment should not put you off.

7. You should think about whether you need to take financial advice

You don't have to take financial advice but you may want to. You can find a local financial adviser on <https://www.iomfsa.im/media/2421/isle-of-man-financial-advisers.pdf> and <https://www.iomfsa.im/register-search/>