

## Taking your pension benefits: a comparison between UK and Isle of Man

The table below sets out the differences between the tax regime for UK registered pension schemes and both types of scheme in the Isle of Man.

	UK registered pension scheme	1989 Scheme in the Isle of Man	Pension Freedom Scheme in the Isle of Man
Earliest age at which you can take your benefits	<ul style="list-style-type: none"> <li>Currently 55 years but moving to 57 years in 2028 (unless retiring early due to serious ill health or have a protected pension age).</li> </ul>	<ul style="list-style-type: none"> <li>50 years</li> </ul>	<ul style="list-style-type: none"> <li>55 years. Note transfers to a Pension Freedom Scheme cannot be made from a UK registered pension scheme.</li> </ul>
Tax free cash sum	<ul style="list-style-type: none"> <li>25% capped at £268k across all UK pension schemes.</li> </ul>	<ul style="list-style-type: none"> <li>30% of the total value with no upper limit.</li> </ul>	<ul style="list-style-type: none"> <li>40% of the total value with no upper limit</li> </ul>
Options at retirement	<ul style="list-style-type: none"> <li>A combination of a tax-free lump sum, followed by a regular income drawdown from the remaining pension fund. Income drawdown is subject to calculation which provides a maximum income that can be withdrawn annually.</li> <li>Tax free lump sum, deferring taking a regular income drawdown until a later date.</li> <li>Using the full value of your pension arrangement to fund a regular income drawdown.</li> <li>Using the full value of pension arrangement to purchase an annuity.</li> </ul>	<ul style="list-style-type: none"> <li>A combination of a tax-free lump sum, followed by a regular income drawdown from the remaining pension fund. Income drawdown is subject to calculation which provides a maximum income that can be withdrawn annually.</li> <li>Tax free lump sum, deferring taking a regular income drawdown until a later date.</li> <li>Using the full value of your pension arrangement to fund a regular income drawdown.</li> <li>Using the full value of your pension arrangement to purchase an annuity.</li> </ul>	<ul style="list-style-type: none"> <li>An initial tax-free lump sum payment, followed by flexible ad-hoc withdrawals (taxable) taken at a time and amount selected by you.</li> <li>Withdrawal of the full pension arrangement in full with the first 40% paid tax free.</li> <li>Set up a regular income payment arrangement with the amount selected by you.</li> </ul>

	These are options available for Isle of Man residents but would be subject to UK tax.		
Triviality lump sum allowance (before taking your benefits)	<ul style="list-style-type: none"> <li>Up to £30,000 across all UK pension arrangements, and all must be taken within 12 months.</li> </ul>	<ul style="list-style-type: none"> <li>If total pension value is £100,000 or less, at age 55 (and before age 75) you may take the full pension pot with up to 30% tax free, with the remainder being taxable at your nominal rate of income tax.</li> <li>All benefits must be taken within a 12-month period.</li> </ul>	
Small pot lump sum	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>Once you have started taking your benefits, if the total pension value is £100,000 or less (not including tax-free lump sums up to 30% if no tax-free lump sum has previously been taken), at the age of 55 you may be able to withdraw the full pension pot. This is taxable (save for any tax-free lump sum not previously taken) at your nominal rate of income tax.</li> </ul>	
Lump sum death benefits	<ul style="list-style-type: none"> <li>Benefits remaining in the scheme will be subject to Inheritance Tax from 6 April 2027.</li> </ul>	<ul style="list-style-type: none"> <li>Lump sum, taxable at 7.5% if benefits have commenced.</li> </ul>	No tax payable.

Contributions	<ul style="list-style-type: none"> <li>Maximum of £60,000 per year tax free BUT capped to £10k across all arrangements if you have started taking benefits from any pension arrangement.</li> </ul>	<ul style="list-style-type: none"> <li>Up to 100% of relevant earnings up to a maximum of £50,000 per year obtaining tax relief.</li> </ul>
Transfer -out	<ul style="list-style-type: none"> <li>Subject to meeting residency requirements in the Isle of Man, UK pension benefits can be transferred to an arrangement which is recognised by HMRC as a Qualifying Registered Overseas Pension Scheme (QROPS).</li> </ul>	<ul style="list-style-type: none"> <li>Can accept transfers from UK or Isle of Man arrangements (subject to charges).</li> <li>Cannot accept transfers from UK pension schemes.</li> <li>10% transfer charge for transferring in from an Isle of Man approved 1989 scheme.</li> </ul>