

Appendix to the Atlas Master Trust member guide

For members of the Capita Section based in the Isle of Man

As a member of the Capita section who is wholly tax resident in the Isle of Man whilst you accrue your benefits (an **IOM Member**), the member guide and the rules governing the Atlas Master Trust apply to you, but with a few differences.

This appendix sets out the key differences on the assumption you are an IOM Member who will be Isle of Man resident when your benefits come into payment. For more information about being a member of Atlas and saving for your future, please have a look at the member guide, visit www.atlasmastertrust.co.uk or contact the Scheme Administrator as follows:

Telephone 0345 121 3389

Email: memberenquiries@atlasmastertrust.co.uk

As with the member guide, every effort has been made to ensure this Appendix is accurate. However, as with the warning on page 40 of the member guide, your participation in the Capita section of the Atlas Master Trust (Atlas) is governed by the governing terms of that Trust and if there is any discrepancy between this Appendix and the legal documentation that governs the Capita section of Atlas, the legal documentation will always take precedence.

This Appendix was updated and is accurate as at 16 August 2021.

Auto enrolment

Auto enrolment does not apply to IOM Members. You can join Atlas at any time, and do not have to earn a minimum amount to do so. When you join, you'll be in Tier 1 (not Tier 2 as per the member guide). In order to join Atlas, you should contact the Scheme Administrator confirming that you wish to join, making it clear that you are an IOM Member.

Contributing to your Atlas pension account under the Capita section

When you pay money into your pension account, you get tax relief from the Isle of Man Government. This relief is set at your marginal rate of income tax, up to a maximum of 20% on contributions capped by the lower of:

- the Annual Allowance, and
- relevant earnings* (where relevant earnings are less than £3,600, £3,600 will apply).

Annual Allowance

The Annual Allowance is £40,000. Where contributions are paid in excess of the Annual Allowance, a tax charge of 40% applies to the amount in excess of the £40,000 limit.

*Relevant earnings

A detailed description of relevant earnings is outlined within Isle of Man pension legislation, but in its simplest form it is generally the gross annual remuneration declared by the employer in Box A of the employee's T14 (and relates to income which is chargeable to tax in the Isle of Man).

Relevant earnings do not include dividend income, termination payments or any remuneration from a director of an investment company.

Tax relief is only available where pension contributions are made into Isle of Man approved pension schemes.

Example

Robert pays £40,000 into the IOM approved part of the Capita section. Robert has not made any other pension contributions to another Isle of Man pension scheme and so is within the £50,000 Annual Allowance limit. Robert has relevant earnings of £30,000.

While IOM legislation allows pension contributions of up to £50,000 per tax year, tax relief will be restricted to the employee's level of relevant earnings, which in this case is £30,000.

Salary sacrifice

In principle, salary sacrifice is available for IOM Members so long as the Capita section has been approved by the Isle of Man Assessor of Income Tax (the Isle of Man Assessor) for salary sacrifice. Salary sacrifice is a concessionary treatment made available at the Isle of Man Assessor's discretion so there is no guarantee that salary sacrifice will remain available to IOM Members going forward. If the concession is withdrawn, you will be notified accordingly. Please note that different outcomes may apply to those stated in the guide which are based on UK salary sacrifice.

Leaving pensionable service

If you leave Atlas having been a member for less than 30 days, you will receive a refund of the amount you have paid into your Capita section pension account. This will be taxed at 7.5%. Otherwise, you can transfer the value of your pension account or leave it vested as per the member guide (as varied by this Appendix).

Retirement considerations

The section in the member guide that deals with 'Taking your pension account' relates to members who are UK resident. The options available for IOM Members are different. As at the date of this guide, IOM Members are not permitted to take their benefits via a flexible drawdown. Instead, benefits may be accessed via:

- i. Tax free cash lump sum: if you have reached age 55 or retirement is on the grounds of ill health (as per the member guide) an immediate cash sum may be taken free of Isle of Man tax up to a value of 30% of your pension account (see 'Taking cash at retirement' below). However, unless the Scheme Administrator notifies you in writing to the contrary, no further drawdown is permitted, and benefits must be taken via one of the options outlined under ii to v below as applicable;
- ii. Transfer: you may elect to transfer your benefits to another pension scheme arrangement (see 'Transferring out of Atlas' below);
- iii. Annuity: you may purchase an annuity from an insurer approved by the Isle of Man Assessor and, subject to availability, incorporate the flexible options summarised in the member guide;
- iv. Trivial commutation lump sum: you may elect to take a trivial commutation lump sum payment if aged between 55 and 74 inclusive and the relevant conditions are met (see 'Trivial Commutation Lump Sum' below); and
- v. Full commutation lump sum on serious ill health: you may elect to take a serious ill health commutation lump sum payment from any age if the relevant conditions are met (see 'Serious Ill Health Commutation Lump Sum' below).

Transferring out of Atlas

Once you leave employment, you can transfer your pension account out of the Capita section of Atlas into another pension scheme. The scheme you transfer into (the **receiving scheme**) needs to be either:

- i. a scheme appropriately approved by the Isle of Man Assessor (i.e. approved under the Income Tax (Retirement Benefit Schemes) Act 1978 of Tynwald (the **1978 Act**), approved under Part 1 of the Income Tax Act 1989 of Tynwald, approved under Part 5A of the Income Tax Act 1970 of Tynwald (a pension freedom scheme), a statutory scheme that benefits from deemed approval under the 1978 Act, or approved under section 50C of the Income Tax Act 1970 of Tynwald); or
- ii. specifically approved as appropriate to receive a transfer by the Isle of Man Assessor; and
- iii. as Atlas is a registered pension scheme, any transfer out of the Capita section to another scheme that is not a registered scheme under the UK's Finance Act 2004 will need to comply with UK requirements (and further details of what is required in this regard can be provided by the Scheme Administrator at the time you are considering a transfer).

If there is a transfer to a new pension freedom scheme, there is also a 10% fee on the value of the transfer that is payable from the value of your transfer.

If there is an unauthorised transfer (i.e. other than to (i) or (ii) above, it can be subject to penalty charges of up to 40%).

Taking cash at retirement

You are able to take some of your Capita section pension account as a tax-free cash lump sum, once you are 55 or older. If you decide to do so, you can take a one-off lump sum of up to 30% of the value of your pension account that is paid free of Isle of Man tax.

Trivial Commutation Lump Sum - taking the whole of your pension account as a lump sum if it's deemed a small pension pot under Isle of Man legislation

You can take your Capita section pension account as a Trivial Commutation Lump Sum at any time once you have reached 55 (but before you get to 75) subject to the following conditions.

The current commutation limit is £100,000. This assumes you have not actioned any other trivial commutation lump sums, from any other Isle of Man approved pension schemes. If you have taken other Trivial Commutation Lump Sums, the available £100,000 allowance is reduced by the value of the Trivial Commutation Lump Sums that have been paid from other Isle of Man approved schemes. For example: if you have trivially commuted £30,000 from other Isle of Man approved schemes, you will only be able to trivially commute a pension account under the Capita section to the extent it is worth £70,000 or less. Please note that you are not able to partially commute an account: so in the above example, you could not trivially commute £70,000 of a pension account that was worth £71,000 – if the value of your pension account is greater than the trivial commutation allowance that is available to you, you cannot trivially commute.

No trivial commutation lump sums can be actioned once 12 months have passed from the date the first Trivial Commutation Lump Sum was paid; they must all be paid out within a 12-month period. So if you have trivially commuted benefits from another Isle of Man approved scheme more than 12 months ago, you will not be able to trivially commute any amount under the Capita section (even if the value of your pension account is less than your available trivial commutation allowance).

As with taking cash at retirement, up to 30% of any Trivial Commutation Lump Sum can be paid free of Isle of Man income tax; the remaining part is liable to tax through the ITIP system at your marginal rate of income tax.

Serious Ill Health Commutation Lump Sum - taking the whole of your pension account as a lump sum if you are seriously ill

You are able to take the whole of your Capita section pension account as a lump sum at any time if you are seriously ill and satisfy the requirements of the Isle of Man Income Tax Division. The Income Tax Division will want to receive confirmation from a registered medical practitioner that your life expectancy is less than 1 year. If you decide to do so, up to 30% of the lump sum that is paid will be paid free of Isle of Man tax and the balance of your pension account will incur a tax charge of 7.5%.

Given we must engage with the Isle of Man Income Tax Division in order to pre-approve these payments, there may be a slight delay in payment (albeit Income Tax Division will always deal with these requests as a matter of priority).

If you die – tax on lump sum benefits

If your loved ones receive a refund of your pension account, the refund will incur a 7.5% tax charge.

As above, we must engage with the Income Tax Division before making any such payments. The effect of this may be to delay payment.

Member guide – personal account FAQs

We have provided some comment re the questions raised in the FAQs as follows:

Do I pay tax on my pension?

As noted above, the Isle of Man allows lump sums of up to 30% of the pension account to be paid free of Isle of Man tax. If an IOM Member obtains a nil tax code from HMRC (which should be possible where the IOM Member is not tax resident in the UK and has accrued their benefits whilst tax resident outside the UK), no UK tax should apply to any benefits paid out of the Capita section and a lump sum that is no more than 30% of the value of the pension account can be paid free of UK and Isle of Man tax. Please note that, if less than 30% of the pension account is taken as a tax-free lump sum, the balance of the 30% allowance cannot be applied to the remainder of the pension account.

What happens if I have to stop working because of my health?

If aged under 55, and you satisfy the ill health conditions under the Capita section, the options available under 'Taking your pension account' will apply and it should be possible to bring your benefits into payment via those methods (as they apply to you). If aged over 55 and suffering ill health, these options will be available to you (as applicable) without needing to satisfy the relevant ill health conditions.

What happens to my State Pension if I retire abroad and Where can I obtain a forecast of my State Pension?

The information and links in the member guide are for UK members. Further information re the Manx State Pension is provided below (as at the date of this Appendix). Updated information may be found on the Official Isle of Man Government website (www.gov.im).

Re automatic enrolment FAQs

By way of reminder, automatic enrolment does not apply to IOM Members.

Re salary sacrifice FAQs

The Isle of Man Government has different rules re salary sacrifice, so if you have specific queries as to how salary sacrifice works for IOM Members, please raise these via the Scheme Administrator. Please also note, you are not permitted to participate in the Capita Share Ownership Plan as an IOM Member.

Re maximum benefit restrictions FAQs:

With regard to the maximum benefit restrictions, as you are a member of a UK registered pension scheme, you will accrue and receive your benefits subject to certain UK maximum benefit restrictions. However, you also participate in the Capita section subject to its approval under the Income Tax (Retirement Benefit Schemes) Act 1978 of Tynwald. As such, the benefits you accrue under the Capita section are also subject to Isle of Man restrictions as per the 1978 Act. For the most part, the UK restrictions will apply in the normal way. Without limitation to all the differences that may apply, key differences of note are:

- subject to completing the correct forms and as long as you are wholly Isle of Man resident when accruing and taking your benefits, it should be possible for your benefits to pay out free of UK tax and subject only to Isle of Man tax (as per the requirements of the 1978 Act);
- given the above, it should be possible for you to take a lump sum of up to 30% of your pension account and that is not subject to UK or Isle of Man tax; and
- as noted above, when taking a transfer to an Isle of Man tax approved arrangement, it will be necessary for that arrangement to satisfy certain requirements under UK law that relate to transfers from a UK registered scheme.

The Manx State Pension

The Manx State Pension is a regular payment from the Isle of Man Government that most IOM Members can claim when they reach state pension age. The state pension age is currently 66 and will rise to 67 between 2026 and 2028 and to age 68 between April 2044 and 2046.

Any IOM Member reaching state pension age after 6 April 2019 will receive the new 'single tier' state pension, if they have a sufficient National Insurance (**NI**) record. The Manx State Pension is reviewed annually by the Isle of Man Government and is usually expected to increase each April by an amount based on earnings or price increases. From 12 April 2021, the full amount of the Manx State Pension is £196.14 a week. Your entitlement could be less if your NI record is less than 35 years, or you have previously paid NI at a reduced rate, because you have been contracted out of the earnings-related portion of NI at some point.

If you normally live in the Isle of Man and have at least 10 years of relevant NI contributions, you may also be eligible for the Manx Pension Supplement in addition to your Manx State Pension. The amount you get will depend on the number of years of relevant NI contributions you have in the Isle of Man and your date of birth.

The introduction of the single tier will see the Manx Pension Supplement phased out over the next 20 years. The intention is to reduce entitlement by 5% each year.

Your rights to a Manx State Pension are governed by Isle of Man legislation which may change over time and, if conflicting with any statement in this Appendix, will prevail. For more information on the Manx State Pension in the Isle of Man, visit the webpage:

<https://www.gov.im/categories/benefits-and-financial-support/pensions/manx-state-pension/>