

To 50B or not to 40(ee)... that is the question...for International Pensions

It is not often that Shakespeare, the Isle of Man and Guernsey are mentioned in the same breath and I believe that this will probably be the first and the last time it will happen.

Over the past 12 months, I have started developing more business within Africa since launching our Isle of Man International Pension. If I had a pound for every time I have been asked "so you're just another 40(ee)?", I would be able to retire at the ripe old age of 32!

So what is the difference between the Isle of Man (50B) and Guernsey (40(ee)) when it comes to International Pensions?

50B v's 40(ee)

It is probably worth looking at where the numbers and letters originate from;

The 50B is a section under the Isle of Man Income Tax Act 1970 with the 40(ee) being part of the Guernsey Income Tax Act 1975 - both are aimed at providing a flexible tax structure for international pension arrangements, where there is no tax relief on contributions but no tax either on investment growth or benefits.

50B schemes formed on the Isle of Man are regulated under the Retirement Benefits Schemes Act 2000 which provides a regulatory oversight of both the pension and its administrator.

Guernsey up until very recently was only reliant on the tax laws and oversight of trustee services by the regulator. However, they have, in the past 6 weeks, implemented an overhaul of their pensions framework to provide specific regulatory oversight of pension schemes and administrators but it is yet to be seen how this will compare against the Isle of Man's more mature regulatory framework.

Isle of Man v's Guernsey

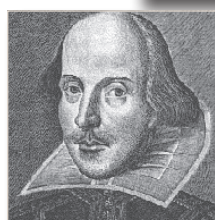
With regards to jurisdiction; let's now look to see if there are any striking differences between the two;

Both have very similar natural tax rates, both are governed by common law and both jurisdictions are seen as reputable in terms of regulation and transparency, having both led the way in implementing FATCA and CRS amongst International Financial Centres. The economic stats slightly favour the Isle of Man which shows good continual annual economic growth. The GDP of the Isle of Man is over double that of Guernsey for a similar population.

So there aren't really any major differences between the two jurisdictions in respect of the tax law or regulatory framework for international pensions... which begs the questions if you had to choose one over the other, what should you look for?



50B
v's
40(ee)



Robust
regulatory
systems

Two key drivers

For me; there are two key points; the client's individual tax position and the service capability of the provider looking after the pension;

Tax Opinion

This is where much debate occurs as it is an 'opinion' and that opinion is open to interpretation. It is therefore important to know who has provided the opinion, the reputation of the individual and firm that have given it.

The length of time an opinion is valid for is also interesting point to raise; the global tax arena changes on an almost annual basis and therefore it is important that opinions are often revisited to ensure nothing has changed in the local jurisdiction that may effect how the clients are treated, or in the jurisdiction the pension is provided in. For example, if you had an opinion from 2013 and hadn't been reviewed...would you have the same confidence with it as with one produced in 2017?

Service Provider

It goes without saying that most pension service providers who are promoting international pensions should be regulated, and in the cases of 50B and 40(ee) they are, most thoroughly.

It therefore comes down to service and how clients are being treated. The number of times throughout the years I have heard "their service is poor but they're the only ones out there" or "they're not the best but wouldn't it be too much hassle to move to another provider?".

If you or your clients aren't getting acceptable service why tolerate it?

Next steps

The difference between jurisdictions and tax Acts are minimal so it comes down to the opinion and the service provider; below are just two things as a minimum to take away from this article:

- Is the tax opinion up to date and relevant? Ask when it was last reviewed?
- Are you frustrated with the service you're receiving from your service provider? If so - don't tolerate it and explore other firms who are willing to provide the service and attention you and your clients deserve.

Contact us

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