

PENSION INCOME

Individual tax residents of Montserrat may apply for exemption from UK income tax on their UK sourced pension income. To qualify for the exemption from UK income tax individuals must be tax residents of Montserrat and non-residents of the UK.

However, the UK/Montserrat DTA states that any pension income qualifies for the exemption with the **exception of pensions paid by the Government of the United Kingdom for services rendered to it in the discharge of government functions.** Therefore UK tax will continue to apply to pensions received by individuals where those pensions are paid by the UK Government for public service employment however this exception does not extend to pensions paid by local governments.

FURNISHING A TAX RETURN

Montserrat income tax is a tax imposed on the chargeable income of a taxpayer for each basic (income) year. Generally, a basic year runs from 1st January to 31st December.

A tax resident of Montserrat chargeable with tax is required to furnish a true and correct return to the Inland Revenue Department on or before the 31st March following the year the income was derived. In the case of persons deriving income from any employment or by way of pensions such returns are required to be rendered not later than the 31st January in each year.

CONTACTING INLAND REVENUE

Inland Revenue Department

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Inland Revenue

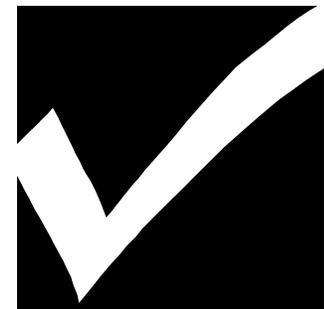
United Kingdom

TAXING OF UK PENSION INCOME IN MONTSEERRAT

A Reference Summary Sheet for
Persons in Receipt of Pension Income

INTRODUCTION

The Government of Montserrat made a proposal in its Budget Speech to introduce a five (5%) percent tax on pension income in excess of EC\$60,000 per annum. This means that UK residents moving to Montserrat may qualify for this special tax rate if they currently receive pension income sourced in the UK that is normally liable to UK income tax.



TAX RESIDENCY

The tax residency rules determine which country a person is a resident of for taxation purposes. It should be noted that an individual may be a tax resident of more than one country and their tax residency status may change as their personal circumstances change.

In general terms individual taxpayers who leave the UK permanently or for at least three years may be treated as not resident and not ordinarily resident of the UK from the day after the date of their departure.

Individual taxpayers are determined to be tax residents of Montserrat if they intend to establish residence in Montserrat and will be residing in Montserrat at one or more times for a total period of at least 183 days during a calendar year.

UK residents intending to move to Montserrat to take advantage of the special tax rate on pension income should consult with both the United Kingdom Inland Revenue and the Montserrat Inland Revenue Department to obtain determinations of their tax residency status in the UK and Montserrat respectively.

GENERAL TAX RULES

In many countries, including the UK and Montserrat, tax residents are taxed on their **worldwide income**. This means that a tax resident is liable to tax on all the taxable income they receive, regardless of whether the income is derived domestically or from overseas. In addition, income received from overseas is often also subject to tax in the overseas country of source.

Therefore an individual who is a UK tax resident is generally liable for UK tax on their worldwide income. However, a non-resident taxpayer of the UK is only liable for UK tax on income derived from the UK.

DOUBLE TAXATION

The general rules of taxation may be altered by the existence of a tax treaty between countries, commonly referred to as a double taxation agreement (DTA). The DTA is designed to avoid the double taxation of income and is paramount over domestic tax law.

The UK/Montserrat DTA provides relief for individuals who are tax residents of Montserrat from UK tax on the following income derived in the UK, providing that the income is subject to Montserrat tax:

- Pension income (refer to the Pension Income section of this pamphlet for details).
- Dividends
- Royalties;

In addition, the UK/Montserrat DTA also provides an individual tax resident of Montserrat with relief from UK tax on profits or remuneration in respect of personal services performed within the UK in any year if-

- The individual is present in the United Kingdom for a period or periods not exceeding 183 days during that year, and
- The services are performed for or on behalf of a person resident in Montserrat, and
- The profits or remuneration are subject to Montserrat tax.

In all other case an individual who is a tax resident of Montserrat will be liable to UK tax on income derived from the UK.