



PRIVATE WEALTH

Qualifying Non-UK Pension Scheme

A Qualifying Non-UK Pension Scheme (QNUPS) is an overseas pension that falls within the definition contained in section 271A of the Inheritance Tax Act and the Inheritance Tax (Qualifying Non-UK Pension Schemes) Regulations 2010. The legislation restored inheritance tax protection to certain non-UK pension schemes that are broadly equivalent to UK-registered pension schemes. The Regulations had retrospective effective to 6 April 2006.

Being a Qualifying Non-UK Pension Scheme, a QNUPS must broadly satisfy the same conditions as that of a 'Recognised Overseas Pension Scheme'. Importantly, there are no reporting requirements to Her Majesty's Revenue and Customs (HMRC).

Advantages of QNUPS

Funding

- No limit on contributions
- No need to have any employment (relevant) income to make contributions
- Can be funded by contribution or transfer from an international pension

Growth

- No capital gains tax
- No lifetime limits on fund size
- Wide range of investment options and multiple currency options, subject to our Statement of Investment Principles

Benefits

- QNUPS may avoid local succession law, enabling the client to control who inherits
- Flexible income can be deferred until age 75
- UK inheritance tax and local succession taxes may not be payable from the QNUPS fund upon death
- Flexible permitted investments
- Ability to take a lump sum of up to 30%
- There is no requirement to purchase an annuity
- No reporting requirements

Who would consider QNUPS?

- Expatriates saving for their retirement who may wish to return to the UK in the future
- High net worth UK residents or domiciled individuals who have already utilised their maximum income tax relievable pension contributions
- Anyone who, after 6 April 2010, became restricted to basic rate income tax relief on UK pension contributions
- Individuals wishing to transfer from an International Pension Plan

Disadvantages of QNUPS

No tax relief on contributions. Employer contributions are not advisable.

Features

The regulations state that at least 70% of a member's relevant scheme funds must be used to provide the member with an income for life and the pension benefits are payable no earlier than age 55.

Taxation of the QNUPS

Capital Gains Tax (CGT)

No UK tax on chargeable gains made by the QNUPS.

Inheritance Tax (IHT)

Ordinarily out of scope for UK inheritance tax.

Taxation of benefits paid from the QNUPS

The possible benefits payable under a QNUPS include benefits on retirement (including a lump sum of 30% of the fund and an annuity/pension for life), benefits on incapacity and early retirement, and death benefits.

If the member is non-UK resident, there will be no UK tax charge on any payments to them from the QNUPS. They may, of course, be taxed in the jurisdiction in which they reside. A UK resident would pay tax on the pension income paid from the QNUPS. The scheme is subject to international rules of the Automatic Exchange of Information.

Loans to members

If the member has not retired, a loan may be granted to them. It is vital that the loan is commercial in all senses and not just in terms of the interest rate which applies. The loan will be an investment by the trustees and therefore, all the usual due diligence on the loan the member's ability to repay, which a prudent trustee would undertake before making an investment, would be carried out. Guernsey rules currently allow loans of up to 30% of the value of the fund.

Conclusion

QNUPS can be used by individuals as a flexible mechanism for providing retirement benefits, including for UK residents. They are particularly useful as 'top-up' pensions if an individual has not made sufficient provision for their retirement via their registered person.

It is important that the contributions made to a QNUPS are proportional, both to an individual's overall wealth and to what is necessary to provide them with appropriate retirement benefits, taking into account any other existing pension rights they have.

Expatriates can use a QNUPS as a tax advantageous home for their long-term savings, creating a safe haven for their wealth now and in the future should they return to the UK.

About Suntera Global

Suntera Global is an independent global provider of bespoke corporate, fund and private wealth services. We are 550 specialists who believe in balancing responsibility with ambition through the seamless delivery of a comprehensive range of administration and accounting services delivered from our offices in the Bahamas, Cayman Islands, Guernsey, Hong Kong, Isle of Man, Jersey, Luxembourg, the UK and the US. Our approach is personal and tailored and we aim to be more than just a service provider, we will be an extension to your business and a true partner ensuring you achieve your ambitions and goals. We believe the world needs responsible businesses. Everyone benefits from good corporate practices and complexity shouldn't be a barrier. We exist to help our clients manage the responsibilities and complexities that come with wealth, be that personal or corporate. Over more than four decades, we have built an international team with specialisms in the responsible management, governance, compliance, and accounting of various legal entities.

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