Pensioneer
Trustee Company (Guernsey) Limited

QNUPS
Qualifying Non-UK Pension Scheme

Qualifying Non-UK Pension Schemes were introduced through a change in legislation by the UK Government on 15th February 2010. When the UK Government embarked on its major overhaul of UK pension legislation – often referred to as "A" Day - the intention had been to ensure that certain non-UK pension funds remained exempt from UK Inheritance Tax but the drafting of the earlier legislation was ambiguous in that respect.

HMRC confirmed this was an error and the legislation was updated in the Finance Act 2008, followed by The Inheritance Tax (Qualifying Non – UK Pension Schemes) Regulations 2010. These rules clarified exactly which pensions are exempt from IHT – and introduced QNUPS.

As QNUPS are not UK registered different rules can apply to the investments held within the fund and terms relating to the drawdowns. They provide a highly flexible and tax efficient pension structure that can supplement existing pension arrangements while remaining entirely separate and distinct. The scheme is a genuine pension arrangement and as the transfer of assets is out of post-tax earnings or from personal capital, there are no reporting requirements to HMRC.

Who should take out a QNUPS

If your clients are UK resident or UK domiciled and non-resident, and have substantial assets/potential assets then a QNUPS may be beneficial. It also has the following uses:

- Clients that have maximised their UK pension limit (currently £1.25m)and are looking for an alternative pension vehicle to provide for their retirement
- Clients who are looking to invest regularly more than their UK annual allowance of £40,000
- Clients wishing to setup an ancillary Recognised Overseas Pension to complement their existing pension
- Expats with a QROPS, who have been non UK resident for a period of time who may be considering returning to live in the UK.

What Assets can be transferred into the Pension Scheme?

There is considerable flexibility on the assets and value of assets which can be transferred into the QNUPS. This can include unquoted shares, share options, securities and cash, commercial/residential property (excluding your principal residency) and chattels/works of art.

What happens upon Retirement?

An income can be drawn from the age of 55 and you must commence drawing an annuity or income drawdown before the age of 75 years. There is

Benefits

Investment flexibility with a full range of asset classes, including esoteric investments, which may be contributed

UK LTA/AA limits do not apply

No limit on contributions or fund size

Plan proceeds paid out gross and not liable to Guernsey Tax* or UK Inheritance Tax whether UK domicile or deemed UK domicile

UK, S58(1) (d) IHTA compliant and such settled property is not deemed "relevant property" for IHT purposes therefore not liable to the normal Inheritance Tax Discretionary trust charges (periodic or exit)

Discretion over distribution of residual fund upon death of member

Greater flexibility on drawing benefits

Assets held in the plan grow free of taxation-except for withholding taxes

Loans may be made to the members, up to 30% (25% if UK resident) of the value of the pension fund, as long as they are under commercial terms. Upon retirement, if a loan has not been taken, then a lump sum of up to 30% (25% if UK resident) may be taken, which would be tax free in the UK

*Unless you become a Guernsey resident tax payer

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considerable flexibility in how this income can be taken, but 70% of the pension fund must be available to provide an income for life.

Summary

For individuals reviewing their financial arrangements for retirement, the QNUPS may well provide possibilities to supplement already existing schemes with opportunities for effective estate planning. QNUPS are pension plans and should be used for providing retirement benefits only, and as such HMRC are satisfied to accept them under the pension regime.

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