S&S

PENSION CONSULTANCY

Global Expat Pensions

UK QROPS EDITION

Focus on your Results

We provide independent pension consultancy for the (inter)national business market. Our challenge is to optimize your pension Results.

Affinity for Expats

Expats have a uniquely challenging business and private life. As we appreciate their drive and competitiveness, we have affinity for expats. It is our challenge to optimize their pension interests from day one.

Expats require Customization

Each expat has a special situation and personal preferences. Business and personal circumstances can change in time. Therefore only customization can provide the required optimal international (risk) coverages, cost control and flexibility.

Standard financial products might seem practical. However, they tend to be (extremely) expensive, not flexible and not providing customized coverage.

Expats from the UK

Expats from the UK, regardless of their nationality, who reside outside of the UK and have pension claims in the UK, might still be subject to UK taxation.

For such expats it might be very attractive to transfer their UK pensions to a Qualifying Recognised Overseas Pension Scheme or QROPS.

QROPS

A QROPS is an offshore pension scheme that has received recognition from HM Revenue & Customs. It is allowed to receive the transfer value of your UK pension funds. QROPS are often based in Malta, Gibraltar, Guernsey or Isle of Man.

QROPS for all kind of Pensions?

It is usually possible to transfer the value of any UK registered private or occupational pension scheme of Defined Benefit or Defined Contribution nature except for:

- UK governmental pension claims
- Insurance company annuities
- Defined Benefit pensions once in payment

QROPS for all your Pensions?

Expats often have several pension claims from different employers in the UK. All these pensions can be consolidated in one QROPS. Which decreases administration costs and allows for one investment strategy.

QROPS investment Possibilities

Once your UK pension capital has been transferred to a QROPS, your funds have to be invested in a manner which reflects your agreed upon risk profile and investment horizon best.

In general QROPS product solutions entail all usual investment categories such as investment funds, equities, corporate/government bonds, real estate and cash.

Often several currency options are possible as this allows a hedge against currency risks.

QROPS and residential Flexibility

Expats prefer to keep all options open. If you might unexpectedly return to the UK, you can keep your QROPS. The capital you originally transferred to the QROPS, becomes once again subject to UK legislation for registered pension schemes.

It is also possible to transfer a QROPS capital to a UK registered pension scheme. Or to another QROPS as depending on your location, one QROPS jurisdiction may be more suitable than another.

Certain trustees have QROPS products in several locations and offer free switches between these schemes. The most suitable option is then always available regardless where you retire. As many and substantial changes in legislation are expected, this is a valuable quality.

QROPS main Advantages

- To substantially reduce the income tax exposure in which execution Double Tax Treaties between the UK and other juridictions have a relevant role.
- QROPS are based in offshore jurisdictions and benefit from zero taxation at source contrary to many residential countries.
- QROPS avoid capital gains tax on asset growth as well as potentially avoiding inheritance tax and its strict UK regulations.

- QROPS do not oblige you to purchase an annuity which is a substantial advantage due to the current historically low interest rate. They also allow you to fully retain ownership of your assets. You can also opt for a percentage drawdown of up to 20% more than you could get by leaving your pension capital in the UK.
- Freedom to make additional contributions without a Lifetime Allowance limit.
- QROPS offer more next of kin pension options. Which includes passing your assets directly or investing assets for beneficiaries later on. Whereas UK pensions can have severe restrictions as well as being liable to UK Inheritance Tax.
- QROPS can prevent currency risks and can provide the lowest investment costs as they allow for the collection of all pension capital in one efficient portfolio. As return on investment is calculated by compound interest in the long run, this is a valuable quality which substantial effect should not be underestimated.

QROPS affected by BREXIT

Expats from the UK with a UK pension scheme might in the near future be severely affected by the Brexit.

As EU member the UK is obliged to allow free transfer of pension capital. Which allowes expats to transfer their UK pension capital to another jurisdiction within the EU.

When the Brexit has been implemented, the UK is no longer bound by EU legislation. It is a fact that the UK government prefers QROPS transfers to end as billions of pounds leave the UK with the resulting loss of tax income.

The UK government cannot prevent QROPS transfers until its EU membership ends. But it can implement severe changes in its domestic pension legislation which might make a QROPS transfer very unattractive.

Therefore it seems advisable to take all options into consideration and have a flexible planning.

QROPS tax Changes 2017

Increased tax exposure

In the UK pensions have been subjected to increasing tax restrictions as an attempt to reduce the use of pensions for tax relief.

Before 2006 there was no limit on the growth of pension capital. There was only a limit to the amount of contributions.

As of 2006 however due to the as of then installed 'Lifetime Allowance' of £1.8m, every excess above that amount faced a UK tax charge of 25% for pension annuities and 55% for pension lump sum. Which also applied to not in the UK residing expats.

Recently this Lifetime Alowance has even been reduced to £1 m which increased the tax exposure.

As of 2017

A fine example of the mentioned new domestic pension legislation are the new tax rules of 2017.

The transfer of UK pension capital to a QROPS used to have no tax charge in the UK regardless of its destination or the residence of the expat.

In the 2017 budget however it was announced that in essence:

- A pension transfer from the UK to a QROPS in one of the EEA countries (EU plus Norway, Iceland and Liechtenstein) if the pension saver is resident in one of the EEA countries, will not have a 25% tax charge. (As the Brexit is near, this opportunity might end quickly.)

  In other circumstances that tax charge will apply.

- Pension transfers to a jurisdiction where after the transfer both the pension saver and the overseas pension scheme are in the same country, will not have a 25% tax charge.

  In other circumstances that tax charge will apply.

- If the QROPS is provided by the individual's employer, there is no 25% tax charge.

- If the QROPS is an overseas public service pension scheme and the member is employed by one of the employers participating in the scheme, there is no 25% tax charge.

- If the QROPS is a pension scheme of an international organisation to provide benefits due to past service and the member is employed by that same organisation, there is no 25% tax charge.

- The tax charge will apply if, within five tax years, an individual becomes resident in another country which renders the exemptions non-applicable.

- If the tax charge has already been paid, it will be refunded if the individual made a taxable transfer and within five tax years one of the exemptions applies to the transfer.

- When the tax charge applies, it will be deducted from the UK pension capital before the transfer is completed. Which is only applicable for pension capital transfer requests made on or after March 9, 2017.

SIPP as Alternative

In case QROPS might have lost their appeal in certain circumstances, a SIPP might be an interesting alternative.

A SIPP is a Self-Invested Personal Pension. The essential difference between a SIPP and a regular personal or occupational pension is that a SIPP offers a substantially broader range of investments.

A SIPP can also help to make optimal use of the flexibility as offered under the new rules.

Like regular onshore pension schemes, the tax-free lump sum amounts to 25% of the fund. The transfer charge as levied on some transfers to a QROPS does not apply to a SIPP no matter where the expat resides.

Advice seems Appropriate

QROPS are not always transparent and can be complex.

In order for an expat to have the ideal QROPS, he needs to be aware of not only all product distinctions but also of the civil and tax legislation of both the UK as well as the offshore and residential jurisdictions.

An expat now also faces new UK legislation as well as the uncertainty of the Brexit impact.

It is our pleasure to provide advice to expats in order to create a tailormade yet flexible planning.

International experience and Network

We have more than 20 years of experience in international expat and collective pension consultancy. Thus we have an elaborate international network. If so desired, we can advise and act swiftly in international matters.

Contact

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