

# Scheme Information Sheet

## QNUPS (Qualifying Non UK Pension Scheme)

Under UK legislation introduced in 2004, effective from 6 April 2010, UK resident individuals are entitled to transfer their non-UK pension assets to a Qualifying Non UK Pension Scheme (QNUPS) within the meaning of the Inheritance Tax Act. QNUPS are open to UK residents, including those permanently residing in the UK, and overseas residents.

On moving abroad many British expatriates will still have an exposure to UK inheritance tax on their estate as they will be considered by HMRC as domiciled in the UK. Domicile is not the same as residence and is not easily changed. The exposure to UK inheritance tax can continue many years after a person ceases to live in the UK.

QNUPS may also provide attractive pension planning for non-UK resident and non-UK domiciled individuals who may decide to move to the UK.

Our QNUPS pensions are registered with the Guernsey Income Tax Office and are bound by the rules that govern Guernsey pensions.

The following information is provided for general guidance. An initial consultation can be arranged at no cost and without obligation. Please contact us by e-mail: [qnups@SovereignGroup.com](mailto:qnups@SovereignGroup.com) or your nearest Group office for more specific information.

## QNUPS

There are a number of basic conditions that must be fulfilled in order for a transfer of assets into the pension scheme to be considered advisable. Cases should be examined on an individual basis but the basic rules are:

- The assets that are transferred become pension assets and are bound by the rules of the pension scheme.
- There needs to be a clear record kept of the source of funds/proof of ownership for the assets being transferred in.
- UK tax relieved funds and UK pensions cannot be transferred into a QNUPS.

## QNUPS have the following characteristics:

TAXATION	Our QNUPS are established so that the underlying investments are generally not subject to tax and with careful planning the pension fund can be invested on a tax-free basis until retirement date.
BENEFITS	<p>The other principal benefit in transferring assets to a QNUPS is that there is no requirement to purchase an annuity in later life. The pension fund can therefore be used by the Member during his lifetime and any remaining balance can be passed on to his chosen heirs upon the Member's death.</p> <p>There is no UK inheritance tax levied on the investments in the pension when the Member dies. With careful planning such taxes may also be avoided in the Member's country of residence and forced heirship issues may be avoided.</p> <p>In theory there is no limit on the amount that can be contributed into a QNUPS. However the amount of the contribution should be no more than is sufficient to provide the member with a retirement income. Ideally the level of contribution(s) should be determined by independent actuarial advice. Contributions to QNUPS do not attract UK tax relief. Therefore they are likely to be attractive to higher level taxpayers given that tax relief on contributions to UK registered schemes is now tightly capped.</p> <p>There is generally no age limit at which a Member may wish to set up a QNUPS, although if over 75 years of age they would need to take some benefits immediately, which itself can also create opportunities for potential tax savings with careful planning. The purpose for setting up the QNUPS must always be to provide an income for the member's retirement and not avoidance of any type of UK tax.</p> <p>You can be a UK resident/domiciled individual and benefit from QNUPS.</p>
MANAGEMENT	Sovereign Trust (Guernsey) Limited ("Sovereign") is Trustee of our QNUPS and will be responsible throughout for the ongoing management of all QNUPS.
INVESTMENT MANAGEMENT	The investment management of the Scheme can be directed by the Member or can be delegated to an Investment Manager of the Member's choice.
TIMESCALE	Once the relevant information has been obtained from the prospective client, the pension can normally be set up within a 2 week period.

## ***The Sovereign Private Pension Scheme***

Our QNUPS are Guernsey-based single member pension schemes, rather than a multi-member scheme. Therefore the Scheme will relate solely to you. Once the trust deed has been executed by you and the trustee, application will be made to Guernsey Income Tax for its approval as a personal pension.

The trustee of the Scheme is our Guernsey regulated and licensed trust company.

With the prior approval of the trustee, individual Members may appoint an asset manager to look after the investment of the Scheme. Investments may be held in cash, quoted equities and privately held companies (although some restrictions do apply to the latter). The purchase of residential and/or commercial property is allowed as long as such property is let on a commercial basis and the rent is determined by an independent valuer.

## ***Independent Pension Review***

It is recommended that individuals obtain an independent review taking account of their own circumstances before transferring assets to a QNUPS.

Sovereign is not able to provide this advice but we can introduce clients to qualified advisers who can undertake this work for a fee. Please contact our pensions team for more details.

## **The Scheme**

**The Scheme** The Scheme will be established by a trust deed and will be subject to the provisions under the Income Tax (Guernsey) Law 1975.

By establishing the Scheme the Member agrees to be bound by the trust terms and rules which are set out in the Trust Deed to be signed by the Member. The Trustee of the Scheme is Sovereign Trust (Guernsey) Limited whose registered office is at Suite B, St Peter Port House, Sausmarez Street, St Peter Port, Guernsey, GY1 2PU ("Trustee").

Below is an extract from the rules of the Scheme as well as provisions relating to the management of the Scheme as required by the Guernsey Income Tax Administrator.

**Trustee** The Trustee of the Scheme must be Guernsey resident and the Member (or relatives of the Member) of the Scheme may not be Trustees of the Scheme.

The Guernsey Income Tax Administrator is to be notified of all trustee appointments and resignations.

The Trustee shall administer the Scheme in order to provide retirement benefits to the Member while maintaining the approval granted to it in terms of the Income Tax (Guernsey) Law 1975.

**Establishment** An individual must admit his/her funds to the Scheme by executing a Trust Deed whereupon the pension shall be created and recorded by the Trustee.

If the Member intends to become a Guernsey resident, prior approval from the Guernsey Income Tax Administrator will be required for the transfer of the Member's assets to the Scheme.

**Administration of the Scheme** In terms of the powers granted to the Trustee under the trust deed, the Trustee shall administer the Scheme in accordance with the terms of the Scheme.

The administrator shall assist the Member in transferring their assets to the Scheme and will be responsible for the ongoing administration of the Scheme. The Sovereign Group ("Sovereign") will provide assistance to the Trustee by way of collation of information and documentation required to enable the Scheme to be established.

**Additional Contributions to the Scheme** The Member may transfer further funds to the Scheme and agrees that they will be administered in accordance with the rules of the Scheme

**Powers of investment**

The Member shall have the right to direct the Trustee powers of investment in respect of the pension funds held within the Scheme.

Under the terms of the Trust Deed, the Trustee shall abide by the following powers in respect of the use and investment of the Member's funds:

- Power to retain the funds in any current account (with or without interest) in any bank or building society of good repute;
- Power to deposit the funds at such rate of interest or such terms as the Trustee shall think fit;
- Power to invest in or apply the funds in acquisition or upon the security of such stocks, funds, bonds, shares, debentures, debenture stocks, securities, unit trusts, units traded options, financial futures or other investments (including works of art or other property whether real or personal and whether or not of a wasting nature) of whatsoever nature and wheresoever situate whether or not income producing and whether or not involving liability and whether or not authorised by law and in such loans whether secured or unsecured as the Trustee in their absolute discretion may decide;
- Power to invest or apply the funds in effecting with any reputable insurance company, any deferred or immediate annuity assurance sinking fund deposit administration managed fund or other policies or contracts;
- With prior consent of the Member power to underwrite any investments or securities whether on issue or sale and whether jointly with other persons or not;
- Power to enter into any transaction affecting all or any part of the fund with the Trustees of any other Trust notwithstanding that the Trustees or the Directors of any body corporate being trustee hereof (or any of them) may be or be included amount the Trustees of such other trust or be the directors of any body corporate being Trustees of such other Trust;
- Power to buy, lease, mortgage, exchange, sell or otherwise deal with any land or interest in land forming part of the fund in like manner as if the Trustee was absolutely entitled thereto beneficially;
- Power to enter into any scheme either alone or with others and either directly or indirectly for the development of land or buildings whether or not owned by the Trustee;
- Power to enter into a common investment fund with the assets of any other scheme subject to obtaining approval from the Guernsey Income Tax Administrator;
- Power to purchase real property and to let on a commercial basis provided that the Trustee owns the entire property, no part ownership permitted.

The Trustee may sell, convert, vary or transpose any investments, monies and other assets of the Scheme in all respects as if the Trustee were absolutely beneficially entitled to them.

All investments shall be held under the legal control or in the name of the Trustee provided that such investments may be placed in the name of a licensed and regulated investment manager.

**Benefits upon retirement**

A Member's normal retirement age is his/her 55th birthday or such later date as agreed between the Member and the Trustee not being later than the Member's 75th birthday.

Upon reaching normal retirement age, a Member shall be entitled to an annual annuity payable for the remainder of the Member's life which amount shall be determined by the Trustee in consultation with the Scheme's actuary.

Prior to the annuity becoming payable a Member may sub-divide his/her interest and elect that the segmented portions of the Member's annuity be payable in one or more of the following methods:

- The granting of an annuity for his/her lifetime;
- Payment of an annuity to be made during a guaranteed period not exceeding ten years and thereafter during the lifetime of the Member;
- Commutation of part or the entire annuity provided that the lump sum does not exceed a set percentage of the total fund available to the Member or such greater amount as the Guernsey Income Tax Administrator may permit. Such lump sum shall be payable on the date that the annuity is due to come into payment;

- The exchange of part of the annuity for a reversionary annuity payable to a named dependant of the Member for life from the date of death of the Member should the Member predecease such named dependant;
- An annuity to increase each year after the first year at a rate of 5% per annum compound or such higher rate as the Guernsey Income Tax Administrator may permit; or
- Transfer of the value of the Member's fund to be utilised as premium for an alternative arrangement which shall provide benefits in substitution for the annuity. On payment of the premium into the alternative arrangement, the Trustee's liability to the Member shall cease and the Scheme shall be closed.

**Benefits upon death** Upon death the Trustee shall pay the balance in the Member's fund to the Member's estate and/or to the Member's dependants or relations or such persons as the Member may have notified in writing to the Trustee in such proportion as the Trustee shall determine. The Trustee shall have regard to the Member's wishes but shall not be bound by them.

**Payment of benefits** The payment of an annuity shall be made monthly unless the Member requests that such payment be made quarterly, half yearly or yearly.

The payment of an annuity may be assigned by will or in the event of a Member dying intestate, the annuity shall be assignable in the distribution of the Member's estate provided that the provisions of Section 157A of the Income Tax (Guernsey) Law 1975 are adhered to.

**Taxation of benefits** The Trustee shall deduct any amount due for taxation, if applicable, from the benefit payable and shall pay all taxation due by the Scheme to the relevant authority, prior to making the payment of the benefit.

**Accounts and Reports** The Member is entitled to inspect at the registered office of the Trustee, any accounts or reports relating to the Scheme.

#### *Schedule of Fees:*

##### **A. For assets valued at or less than £250,000 and which do not comprise of property**

<b>Initial charge</b>	<b>£750</b>
<b>Annually</b>	
Provision of full administration service	<b>£1,000</b>
<b>TOTAL FIRST YEAR'S FEES</b>	<b>£1,750</b>
<b>SECOND AND SUBSEQUENT YEAR'S FEES</b>	<b>£1,000</b>

##### **B. For assets valued more than £250,000**

<b>Initial charge</b>	<b>£1,500</b>
<b>Annually</b>	
Provision of full administration service	<b>£2,000</b>
<b>TOTAL FIRST YEAR'S FEES</b>	<b>£3,500</b>
<b>SECOND AND SUBSEQUENT YEAR'S FEES</b>	<b>£2,000</b>

#### **TIME CHARGES**

All work undertaken will be charged on a time spent basis and will be dependent on the complexity of the work undertaken and level of staff required to complete the work. Details of our current hourly rates are available on request. All disbursements will be charged to the member.

#### **Subsequent withdrawal from the plan**

Please note that in the event of a subsequent withdrawal by a Member from the QNUPS, a withdrawal cost will apply. This is charged on a time spent basis subject to a minimum charge of £2,000.

Whilst every effort has been made to ensure that the details contained herein are correct and up-to-date, this information does not constitute legal or other professional advice. We do not accept any responsibility, legal or otherwise, for any error or omission.