



Guernsey to de-register all existing QROPS

We have received confirmation that Guernsey intend to introduce a new Guernsey pension regime. This will allow for zero tax on pension income as no tax relief will be provided on local contributions. Although it will be open to local residents it is highly unlikely that many residents would actually join the new regime since they will still be able to obtain tax relief on contribution into the existing pension regime. If this new regime is acceptable to HMRC then this will be a good solution for Guernsey for new QROPS members joining after 6th April 2012.

This obviously will not provide a solution for the existing QROPS (and their members) and there are three options for the existing QROPS and the Guernsey jurisdiction:

1. Allow transfers from the existing QROPS to the new QROPS regime. This will be very problematical (although not impossible) for Guernsey as they cannot have Guernsey tax relieved monies being transferred to the new QROPS and any exclusion of these would certainly appear to fly in the face of the new 'Condition 4' and the principle of treating International clients in the same way as the locals.
2. Accept that Pensions from the existing QROPS will be taxed at a rate of 20% in the same way as pensions for locals are treated. It is quite clear that this is an unpalatable option for Guernsey and they know that it will lead to a mass exodus as members transfer to schemes outside of Guernsey.
3. Do nothing and accept that all the existing Schemes will de-register. We understand that this is the option preferred by the Guernsey Providers, as this will mean that it will be easier for them to retain membership of these schemes, rather than choosing options 1 or 2 which will result in members transferring away.

We have received confirmation that Guernsey has chosen option 3 and that all the existing Schemes on Guernsey will go through deregistration. This will not be in the best interests of the existing members and will put all the existing Guernsey QROPS in the same category as the likes of the Beazley and Panthera Schemes.

It appears that from the draft legislation (issued so far) that the de-registered schemes would not be subject to the 'new' reporting requirements. As they would no longer be registered QROPS they would not have to continue with the same restrictions as QROPS Schemes and this would provide the flexibility for possible 'early liberation'. This brings risk that HMRC could instigate action on all members within the de-registered schemes.

Some providers are selling de-registration as a benefits and stating that clients should 'buy now while stocks last'. This

is a highly dangerous strategy and comes with significant risk that HMRC could review and decide that they do not want thousands of existing members benefiting from being outside of QROPS with UK tax relived monies and very little reporting. Advisers who recommend such transfers are running a very significant risk.

It should be noted that the legislation is only in draft format and could change significantly before its introduction - which would add to the risk that members would be taking by transferring into old style Guernsey QROPS before 6th April 2012.

De-registration comes with an enormous reputational risk to Guernsey. This risk will be shared by the advisers who have recommended Guernsey. A further question also needs to be raised on why Guernsey has opted for de-registration when it was possible to make an easy fix to the legislation and just tax the pensions of international members. It would be a shame if the decision has been made in the interests of the providers who may benefit from a 'buy now while stocks last' opportunity and a chance to sweep any historic problems (such as early liberation cases) under the carpet instead of looking at the risks that this will create for the members of the schemes.

So in summary, ALL transfers to Guernsey QROPS and to all providers in Guernsey should be put on hold and for all existing members of Guernsey QROPS as there is RISK, RISK, RISK.

We hope the 'new' Guernsey scheme will be available before 6th April 2012 for existing members to transfer to, but if it is not then members need to understand their risk and should be advised that their options are to either transfer to a QROPS in a jurisdiction that will not de-register, or transfer back to a UK registered scheme. (The Brooklands NZ QROPS and UK SIPP are very much open for business and are safe, highly flexible options).

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