

Proposed Overseas Pension Schemes Regulations 2012



HM Revenue & Customs (HMRC) have issued draft proposals which may significantly change QROPS in all jurisdictions.

Whilst only proposals, it should be noted that there is a very short consultation and lead in time for these. In our experience of dealing with HMRC this usually means that they are quite set on their proposals and are not looking for consultation or for clients to be able to take advantage within a long lead in time.

HMRC have also delayed the Residency Test until Finance Act 2013 and are looking to extend the QROPS reporting requirements to 10 years from the time of transfer. The change of reporting away from self-declaration on residency will open up the ability for HMRC to be notified of payments and to then challenge a client's non residency claims.

Let's now look at the specific proposals and how they affect each of the Brooklands jurisdictions:

New Zealand:

The lump sum in New Zealand will be restricted so that 70% of the initial transfer value will have to provide an income for life.

An amendment will be required to our New Zealand QROPS Deed and Rules and we would put this in place in advance of the introduction of the legislation to ensure our members of the scheme would not be disadvantaged.

Guernsey

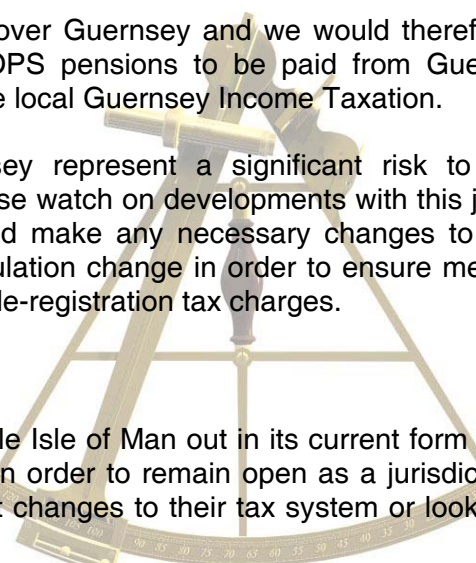
The proposed changes would rule Guernsey out in its current form from being an acceptable QROPS jurisdiction. In order to remain open as a jurisdiction Guernsey would need to look at significant changes to their tax system or look to impose their local taxation on pensions being paid to international residents within their QROPS Schemes.

UK HMRC has significant influence over Guernsey and we would therefore expect the introduction of taxation on QROPS pensions to be paid from Guernsey and therefore for these to be subject to the local Guernsey Income Taxation.

The proposed changes for Guernsey represent a significant risk to Guernsey QROPS and we will be keeping a close watch on developments with this jurisdiction. We would hope that Guernsey would make any necessary changes to their local legislation in time for the HMRC regulation change in order to ensure members are protected and are not subject to any de-registration tax charges.

Isle of Man

The proposed changes would also rule Isle of Man out in its current form from being an acceptable QROPS jurisdiction. In order to remain open as a jurisdiction Isle of Man would need to look at significant changes to their tax system or look to impose



their local taxation on pensions being paid to international residents within their QROPS Schemes.

UK HMRC has significant influence over the Isle of Man and we would therefore expect the introduction of taxation on QROPS pensions to be paid in the Isle of Man and therefore for these to be subject to the local income taxation.

The proposed changes for Isle of Man represent a significant risk to Isle of Man QROPS and we will be keeping a close watch on developments with Isle of Man. We would hope that Isle of Man would make any necessary changes to their local legislation in time for the HMRC regulation change in order to ensure members are protected and are not subject to any de-registration tax charges.

UK

These proposed regulations do not affect our UK SIPP and our members of the UK SIPP remain protected from the effects and any fallout or tax consequences resulting from these changes.

General points

Whilst there is a lack of detail around any transitional arrangements and protection for existing members, we would hope and expect a certain amount of protection from scheme de-registration charges if not from the changes and additional taxes that may need to be introduced.

The changes will in their current form significantly affect the QROPS market as noted along with jurisdictions like Malta and it looks likely that a number of QROPS clients will find it beneficial to change QROPS jurisdiction.

These wide ranging proposed changes to HMRC legislation further demonstrate why a multi-jurisdictional approach is required and why full portability without exit fees is so vital to future-proof you and your clients.

With these changes, New Zealand QROPS has now clearly become the most attractive QROPS jurisdiction due to the 0% tax rate on pensions and clients will benefit from moving there. Unfortunately most QROPS providers apply exit fees which are just poor practice to stop clients leaving them.

As most QROPS clients should now be in a New Zealand QROPS, we will waive our £600 New Zealand QROPS establishment fee for any clients that transfer in from a competitor's QROPS, in order to help a little with the offset against the exit fees that they will probably sustain.

Any Questions or Comments to:

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GUERNSEY	MINIMUM RETIREMENT AGE	MAXIMUM RETIREMENT AGE	PENSION COMENCEMENT LUMP SUM	TAX ON PENSION INCOME	TAXATION ON DEATH LUMP SUM BEFORE RETIREMENT	TAXATION ON DEATH LUMP SUM AFTER RETIREMENT	QROPS REPORTING PERIOD	HMRC NON RESIDENCY QROPS QUALIFYING PERIOD
CURRENT	55	NONE	30% OF FUND VALUE	EXEMPT AT SOURCE ¹	0%	0%	5 YEARS NON RESIDENCY	5 YEARS FROM NON RESIDENCY
PROPOSED	55	NONE	30% OF FUND VALUE	20% INCOME TAX ²	0%	0%	10 YEARS FROM TRANSFER	5 YEARS FROM NON RESIDENCY
ISLE OF MAN	MINIMUM RETIREMENT AGE	MAXIMUM RETIREMENT AGE	PENSION COMENCEMENT LUMP SUM	TAX ON PENSION INCOME	TAXATION ON DEATH LUMP SUM BEFORE RETIREMENT	TAXATION ON DEATH LUMP SUM AFTER RETIREMENT	QROPS REPORTING PERIOD (POST TRANSFER)	HMRC NON RESIDENCY QROPS QUALIFYING PERIOD
CURRENT	55	NONE	30% OF TV PLUS 100% OF GROWTH	EXEMPT AT SOURCE ¹	0%	0%	5 YEARS NON RESIDENCY	5 YEARS FROM NON RESIDENCY
PROPOSED	55	NONE	30% OF TV PLUS 100% OF GROWTH	20% INCOME TAX ²	0%	0%	10 YEARS FROM TRANSFER	5 YEARS FROM NON RESIDENCY
NEW ZEALAND	MINIMUM RETIREMENT AGE	MAXIMUM RETIREMENT AGE	PENSION COMENCEMENT LUMP SUM	TAX ON PENSION INCOME	TAXATION ON DEATH LUMP SUM BEFORE RETIREMENT	TAXATION ON DEATH LUMP SUM AFTER RETIREMENT	QROPS REPORTING PERIOD (POST TRANSFER)	HMRC NON RESIDENCY QROPS QUALIFYING PERIOD
CURRENT	50	NONE	UP TO 100% OF FUND VALUE	EXEMPT AT SOURCE ¹	0%	0%	5 YEARS NON RESIDENCY	5 YEARS FROM NON RESIDENCY
PROPOSED	55	NONE	30% OF TV PLUS 100% OF GROWTH	0% INCOME TAX ²	0%	0%	10 YEARS FROM TRANSFER	5 YEARS FROM NON RESIDENCY
MALTA	MINIMUM RETIREMENT AGE	MAXIMUM RETIREMENT AGE	PENSION COMENCEMENT LUMP SUM	TAX ON PENSION INCOME	TAXATION ON DEATH LUMP SUM BEFORE RETIREMENT	TAXATION ON DEATH LUMP SUM AFTER RETIREMENT	QROPS REPORTING PERIOD (POST TRANSFER)	HMRC NON RESIDENCY QROPS QUALIFYING PERIOD
CURRENT	55	NONE	30% OF FUND VALUE	EXEMPT AT SOURCE ¹	0%	0%	5 YEARS NON RESIDENCY	5 YEARS FROM NON RESIDENCY
PROPOSED	55	NONE	30% OF FUND VALUE	UP TO 35% INCOME TAX ²	0%	0%	10 YEARS FROM TRANSFER	5 YEARS FROM NON RESIDENCY
UK SIPP	MINIMUM RETIREMENT AGE	MAXIMUM RETIREMENT AGE	PENSION COMENCEMENT LUMP SUM	TAX ON PENSION INCOME	TAXATION ON DEATH LUMP SUM BEFORE RETIREMENT	TAXATION ON DEATH LUMP SUM AFTER RETIREMENT	QROPS REPORTING PERIOD (POST TRANSFER)	HMRC NON RESIDENCY QROPS QUALIFYING PERIOD
CURRENT	55	NONE	25% OF FUND VALUE	PAYE INCOME TAX	0%	55%	N/A	N/A
PROPOSED	55	NONE	25% OF FUND VALUE	PAYE INCOME TAX	0%	55%	N/A	N/A



¹ Tax may be levied in country of residence

² Without a DTA between the country of residence and the jurisdiction of the pension, you may be charged income tax at both source and country of residency