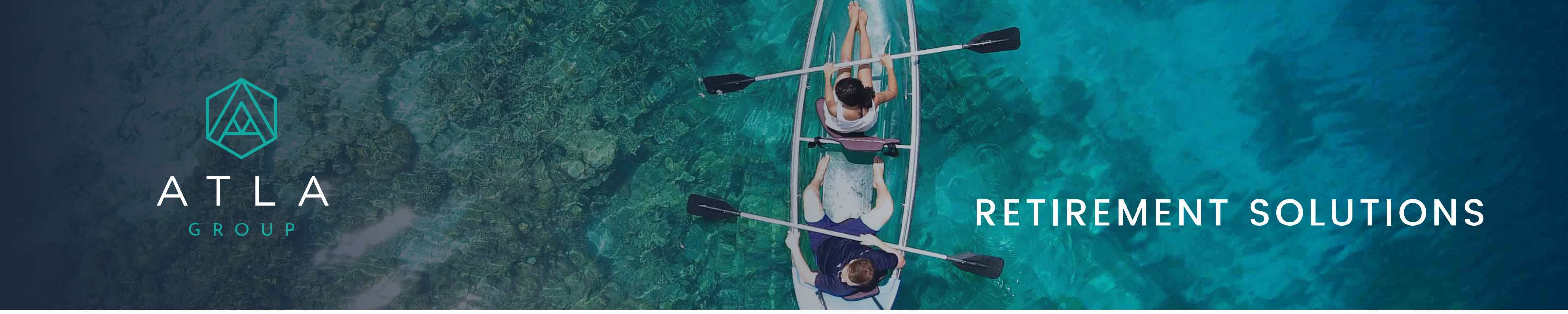

HOW QNUPS STACK UP

Qualifying Non-UK Pension Schemes ("QNUPS") should always form part of an adviser's toolkit for their clients. Often misunderstood or considered a poor relative of QROPS, this simply isn't the case.

Let's dig in and clear up those that think QNUPS is an IHT saviour, or the cynics that feel it is an aggressive pitch. The reality is it sits somewhere in the middle ground.

We are seeing more and more advisers prepared to occupy the middle ground of opinion, and for good reason. A correctly advised QNUPS is not designed to magic a tax liability away. The trustees pay income tax at the rate applicable to trusts - just like thousands of overseas trust arrangements known to HMRC and which have been put together by settlors and advisers as an acceptable, transparent structure designed to be efficient.

The capital gains treatment is the same as any other overseas trust with the exception of an additional piece of legislation that provides exemption from the non-resident CGT charge. The same exemption is also available to UK registered pension schemes, which are certainly not considered as a contentious tax structure!

Members of QNUPS typically benefit from gross roll up and pay income tax when they receive benefits, the same as members of registered pension schemes. There is also a tax-free element to the benefits just like a UK registered pension scheme. QNUPS do not obtain tax relief on contributions, and just like a UK registered pension scheme also is not subject to IHT on death of the member. All-in-all, both serve a similar purpose but a QNUPS member will pay a little more tax.

Tax rules governing offshore bonds have existed for decades. And offer a mechanism for high net worth and mass affluent individuals to store after-tax savings for the future, just like a QNUPS. It does not in itself offer any IHT protection (which a QNUPS does) but does allow access to 5% of capital per annum from day one without an immediate charge to tax (which a QNUPS doesn't). In other words, a QNUPS reaches the parts that registered schemes and offshore bonds cannot reach.

With little movement by the UK government of the annual and lifetime allowances a top-up pension product would be a welcome relief and treated as benignly as possible by HMRC, not attacked.

DISCLAIMER

We have taken great care to ensure the accuracy of this communication. However, it is written in general terms and you should seek specific advice before taking any action. No responsibility can be taken for any loss arising from any action taken or refrained from on the basis of this communication.

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