



GIBRALTAR

# Prosperity

## Qualifying Non-UK Pension Schemes (QNUPS)

Abacus Pension  
Trustees Limited

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# Understanding QNUPS

## INTRODUCTION

International pensions can offer great retirement planning opportunities in circumstances where UK registered pensions may simply not be enough. UK based high net worth individuals, or those who are UK domiciled but living abroad face more complex considerations when making their retirement provisions.

## WHAT IS A QNUPS?

A QNUPS is an overseas pension plan that meets the definition of the QNUPS regulations as set out in the Inheritance Tax Statutory Instrument (SI) 2010/051. QNUPS must meet certain strict requirements and incorporate specific criteria into their scheme rules, in a similar way as QROPS do, but with additional flexibility, in order to be considered an acceptable overseas pension scheme by HMRC.

When set up correctly under the right professional guidance, a QNUPS can be a valuable retirement planning vehicle. It offers a wide investment choice, operates in a favourable tax environment, including exemption from UK inheritance tax, allows flexible pension income options and is not subject to the UK Lifetime Allowance Limits.

## WHO MAY BENEFIT?

- ▶ UK domiciled, non-UK resident individuals who wish to make retirement provision and are not eligible to pay into a UK registered pension scheme.
- ▶ UK expatriates who may eventually return to the UK.
- ▶ UK residents who wish to contribute more than the permitted annual allowance of £40,000 into their pension schemes may opt to use a QNUPS, in addition to their UK pensions, to house the additional contributions.
- ▶ High net worth UK residents who find that their UK pensions are approaching the UK Lifetime Allowance Limit, currently set at £1,073,100 for the tax year 2020-2021, and feel that this restricted pension will not generate sufficient pension income in retirement to maintain their current lifestyle. A QNUPS may be used to complement their UK pensions and boost their overall retirement income.
- ▶ UK resident and UK domiciled non-resident individuals who wish to hold (or currently hold) residential property, such as holiday homes or buy to lets (not their main residence) that they regard as a future income stream in retirement. These arrangements can be formalised by transferring the property into a QNUPS and gaining from the tax advantages associated with recognised pension structures.

## THE ABACUS GROUP

Abacus is an independent, privately owned group of companies, established in Gibraltar over 40 years ago. We provide comprehensive financial solutions and services to both private and corporate clients worldwide. Four decades of expertise in wealth management, corporate structuring, international pensions, tax, fund administration and accounting services help us create and deliver professional solutions that are simple, effective and bespoke. Clients that choose to work with us will benefit from a broad range of integrated services that will be personally selected to suit their needs and implemented to our highest service standards.

Expert Wealth  
Management &  
Financial Solutions

QNUPS OFFER A WIDE  
INVESTMENT CHOICE  
IN A FAVOURABLE TAX  
ENVIRONMENT





## The main differences between a QNUPS and a QROPS

**A QNUPS is a Qualifying Non-UK Pension Scheme whereas a QROPS is a Qualifying Recognised Overseas Pension Scheme.**

Whilst these two types of pension appear quite similar in name, as they both are a form of overseas pension scheme, and most QROPS are in fact, also QNUPS, there are some important differences between them.

QROPS are normally funded via the transfer in of a UK registered pension scheme when the pension member relocates abroad and wishes to export their pension from the UK tax system.

A QROPS must meet strict HMRC criteria to allow it to accept this transfer without triggering an unauthorised payment charge. This is because UK registered pension schemes will have had the benefit of UK tax relief on their contributions. QROPS have a reporting requirement to HMRC until the pension member has resided outside the UK for ten full UK tax years.

QNUPS (that are not QROPS) are normally funded via new pension contributions that do not attract tax relief. They allow a wider range of investments than QROPS, such as certain residential property, and have no reporting obligations to HMRC.

Yet, they must be strictly set up for the purpose of retirement planning, and must be in proportion to the individual's retirement income needs, and evidence of this is a requirement.

## Retirement planning

**A QNUPS must be set up for the purpose of retirement planning. As with all UK pensions, assets are contributed into a QNUPS, and at retirement age, a tax free pension commencement lump sum may be withdrawn, with the remainder of the fund being utilised to provide an income for life. UK residents may receive a lump sum of up to 25% of the pension fund, and non-UK residents may withdraw up to 30%.**

The rules on provision of retirement income allow maximum flexibility and can be tailored to suit individual requirements and can be altered throughout the pension member's lifetime. We encourage some level of pension income to be taken by age 75.

It is possible to contribute into a QNUPS even if the applicant does not currently have any earned income from employment or self-employment.

Contributions into a QNUPS do not attract tax relief unless the individual is paying into the pension from earned income in Gibraltar, therefore in theory, there are no limits to the amount that can be paid into them. However, the pension funding will need to be proportionate to the applicant's financial circumstances and overall wealth, and commensurate with the level of retirement income that each given individual would require in order to maintain their lifestyle in retirement, after taking into consideration all existing pensions that that individual may already have in place..



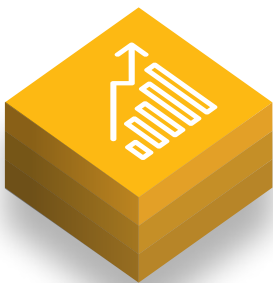
# Permitted Investments

**A QNUPS may invest in a wide range of assets, far greater than what is allowed under a UK approved pension scheme.**

These may include standard investments, such as diversified portfolio bonds, shares in listed companies, gilts, corporate bonds and cash. They may also accept other assets such as private equity, commercial property, and residential property, such as second properties or buy to let properties. Tangible moveable property, such as classic cars, yachts, antiques, art and fine wine may also be accepted. Many individuals may already hold these type of

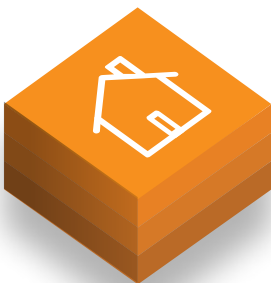
investments, a buy to let property for instance, and are relying on it to provide a retirement income on an informal basis. A QNUPS may allow such individuals to formally structure this retirement plan, and in doing so, benefit from the favourable tax advantages associated with certain pensions.

Non-UK assets held within a QNUPS grow free of tax. UK dividends are charged a withholding tax that cannot be reclaimed and rental income from UK property is also subject to tax. All investments made into a QNUPS are accepted at the trustee's discretion.



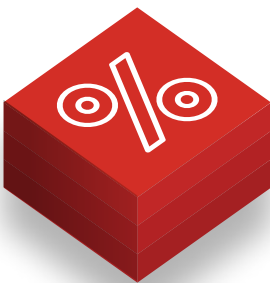
### ALLOWED CONTRIBUTIONS

Unlimited contributions are allowed, subject to individual circumstances.



### WIDE RANGE OF ALLOWED ASSETS

Assets such as private & commercial property and even private equity may be accepted as well as portfolio bonds, shares, corporate bonds and cash.



### TAX ADVANTAGES

Non-UK assets held within QNUPS grow tax free.

## COMPARISON OF UK PENSION SCHEMES AND QNUPS

SCENARIO	UK PENSIONS	QNUPS
Earliest retirement age	55	55
Contributions allowed	Limited to annual allowance of £40,000	Unlimited, subject to individual circumstances
Tax relief on contributions	Yes	No (unless Gibraltar resident and paid from income earned locally)
Subject to UK Lifetime Allowance	Yes	No
Permitted Investments	Restricted	Wider range of investments subject to trustee approval
Residential property accepted	Yes	Yes (except main residence)
Tax free lump sum permitted	Maximum of 25%	Maximum of 30%
Loans to member allowed pre benefit age	No	No
UK tax on death before retirement	None	None
UK tax on death pre age 75	Possible 45%	None (depends on tax residency of beneficiaries)
UK tax on death post age 75	Possible 45%	None (depends on tax residency of beneficiaries)
HMRC reporting	Yes	None





# IHT exemption on member's death

**A QNUPS is designed to provide the pension member with an income during their lifetime, and any remaining fund in the event of their death may be passed on to their nominated beneficiaries or settled into a discretionary succession trust.**

QNUPS generally qualify for exemption from UK inheritance tax, unless the beneficiaries are UK resident. In this scenario, it is important to obtain professional tax advice to fully understand the situation, potential tax implications and consider all available options to ensure the QNUPS is structured in the best way to accommodate this.

**A QNUPS INVOLVE ADVICE  
FROM ONE OR MORE  
OF THE FOLLOWING  
PROFESSIONALS**

## A robust pension structure

**A QNUPS that is established under the right professional guidance can add real value to an individual's retirement arrangements and provide substantial long term benefits.**

At Abacus, we can assist you and work in consultation with professional partners to ensure that a QNUPS is the correct retirement solution for you. Once the benefits and suitability of a QNUPS for your personal circumstances have been confirmed, it is just as important to structure it correctly.

This may, depending on the circumstances, involve advice from the following professionals:

▼ **TAX ADVISER**

▼ **FINANCIAL ADVISER**

▼ **PENSIONS ACTUARY**

▼ **LEGAL ADVISER**

Taking this route will allow individuals to explore the benefits of overseas pension arrangements in a manner that is tax efficient and HMRC compliant, robust and appropriate to their circumstances.





ONE OF THE BENEFITS OF QNUPS IS THAT ALTHOUGH IT IS AN OVERSEAS PENSION, IT IS AVAILABLE TO UK RESIDENTS



## Q & A

### ARE THERE ANY REPORTING REQUIREMENTS TO HMRC?

As QNUPS are funded with non-pension assets and personal wealth, there are no reporting requirements to HMRC.

### DOES THE INCOME RECEIVED BY THE MEMBER GET TAXED?

Individuals can receive an income from their QNUPS as from age 55 and at least 70% of their fund must be used to provide a retirement income.

One of the advantages of a QNUPS is that the income is paid gross. The accounting and tax treatment will depend on where the member is resident.

### IS TAX ADVICE AND AN ACTUARIAL REPORT NECESSARY WHEN FORMING A QNUPS?

A QNUPS must be done in the spirit of retirement planning. Tax advice and an actuarial report before the scheme is set up is important to ensure suitability of the QNUPS for your circumstances.

This advice forms the base for this retirement plan and ensures it has substance and is robust in the face of HMRC.

### CAN A QNUPS BE CHALLENGED BY HMRC?

Yes, as is the case with any structure or arrangement if misused. If HMRC is satisfied that the scheme is set up as a genuine pension, then a QNUPS is accepted.

If HMRC determines that the QNUPS has been taken out purely to avoid tax, for example, in the context of as deathbed planning or aggressive tax planning, they can challenge it and the benefits of the pension would be nullified.

However, if successfully challenged, there is currently no penalty charge.

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