

STAR CAPITAL FINANCE is a boutique financial consultancy firm specializing in raising debt financing and providing personal and corporate financial advisory services for international clientele in the Central and Eastern Europe.



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QROPS

QUALIFYING RECOGNISED OVERSEAS PENSION SCHEMES



KEY FACTS AT A GLANCE

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A FEW GUIDELINES

Whilst many schemes have claimed to be able to move a UK based pension offshore, until now it has not been possible to do this legally and with the permission of the UK tax authorities. This has been primarily because, in return for the tax-relief an individual receives on their pension contributions, the Revenue is expecting to tax the income they receive when the compulsory annuity is purchased; and then take any residual value on their death!

However, in April 2007, it was announced that British expatriates could move their pension benefits to a Qualifying Recognised Overseas Pension Scheme (QROPS) with the Revenue's approval. The final details of this unique opportunity have only just become clear.

The rules of the scheme must be broadly equivalent in terms of treatment to a UK registered pension scheme and the QROPS trustee must provide Her Majesty's Revenue & Customs (HMRC) with information on certain 'events'.

The key difference is that as soon as you take up residence outside of the UK your UK pension can be immediately transferred to a more favourable jurisdiction. This can provide significant benefits depending on the jurisdiction you choose which may enable you to reduce income tax and access capital from your pension. For clients with UK pensions who have been resident outside of the UK for over five full tax years the advantages of transferring become even stronger. There is the possibility depending on the jurisdiction you choose of accessing 100% of your pension as a one off lump sum and avoiding the need to buy an annuity.

Annuities are extremely unpopular in the UK with both pensioners and the press because they represent extremely poor value and (except in very few circumstances) never offer real returns on what the pension had to invest. In addition to this, the income is taxed in the UK even if the individual is not resident there!

However in this case as there is no compulsion to purchase an annuity, the individual is free to explore all the options with the released benefits. Clients may choose to invest the money in an offshore bond or capital protected offshore instrument with the view of getting significantly enhanced returns.

Clients can also use the money to purchase a property with the rental income returning more than an annuity would and, hopefully with the opportunity of a capital gain as a bonus! Further as a significant advantage on the death of the individual, the value of the bank account/investment/property passes directly to their beneficiaries rather than the Chancellor/UK government.

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KEY FACTS AT A GLANCE

SCF have been pioneer in the pension market for expatriates. This experience has enabled us to select different QROPS alternatives based on the varied needs and ages of clients. There are literally hundreds of QROP providers and SCF, through research, works with just a few which in our experience offer clients the best security and choice.

The pension market in the UK is extremely tightly controlled and SCF work with only specialised UK pension consultants who are regulated in the UK. This means clients will receive unbiased, expert and independent advice to make sure that the pension is only transferred if it is in your best interests.

SCF is also qualified to provide you with advice and support in picking suitable investments or property for your pension should you decide to transfer it out of the UK. The ability to 'free up' your pension could be a huge benefit to you. Below is an example of what some of our clients have used these monies for:

- REPAY A MORTGAGE. FREE UP FUNDS TO BUY A HOLIDAY HOME.
- HELP YOUR CHILDREN WITH UNIVERSITY OR SCHOOL FEES.
- SET YOUR CHILDREN UP ON THE PROPERTY LADDER.
- HELP PURCHASE A 'BUY TO LET' PROPERTY TO SUPPORT YOU IN RETIREMENT, AT HOME OR ABROAD.
- PAY MEDICAL EXPENSES/OPERATIONS IF YOU ARE IN POOR HEALTH.
- PROVIDE YOU WITH A HIGHER INCOME THAN AN EXISTING PENSION.
- GIVE YOU CONTROL OF WHERE YOUR PENSION MONEY IS INVESTED.
- SECURE ENHANCED RETURNS THROUGH A WIDER INVESTMENT CHOICE.



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KEY FACTS AT A GLANCE

FREQUENTLY ASKED QUESTIONS

What is a QROPS?

A QROPS is a recognised overseas pension scheme that meets certain UK requirements. The rules of the scheme must be broadly equivalent in terms of tax treatment, to a UK registered pension scheme and the scheme manager must provide Her Majesty's Revenue & Customs (HMRC) with information on certain 'events'.

However, if the QROPS is administered in a country where there is no stipulation on how retirement benefits are taken, it is possible to transfer the benefits to an international pension where 100% of the pension's value can potentially be withdrawn after 5 years without any tax liability.

How are QROPS structured?

A QROPS is structured in a similar manner to a UK pension; i.e. there is an investment vehicle which is owned on your behalf by a pension administrator (trustee). This trustee must be based outside the UK and approved by HMRC as a QROPS administrator.

Through the investment vehicle you can access a wide range of cash, bond, property, hedge, equity and commodity funds - and switch between these funds as market conditions change.

Who can move their pension into a QROPS?

Anyone who has been living overseas for 5 years or more and who has a UK 'onshore' pension scheme. Individuals who have not been offshore for 5 years can also apply for a QROPS if they are sure they not going to return to the UK within 5 full tax years of leaving.

How do I know this is a legitimate scheme?

Details of the scheme can be found on the HMRC Website. Less complicated summaries can be found on the websites of the Pensions Advisory Service.

FREQUENTLY ASKED QUESTIONS

When can I take the pension benefits?

Technically, you can take the benefits from the day of transfer. However, virtually all of the investment vehicles will have a minimum term of 3 years. It is important to point out at this point that the money being transferred has been set aside for your retirement and we would strongly recommend leaving the money in the QROPS until you reach retirement.

Are there any taxation implications on the transfer?

A transfer of a registered pension scheme to a QROPS is a Benefit Crystallisation Event (BCE). This means it will give rise to an additional income tax charge where the transfer exceeds the individual's lifetime allowance. Currently, this allowance is set at £1,500,000.

Can I return to the UK after taking the benefits?

Yes, you can return without prejudice. However, to ensure there is no taxable event, we would recommend staying offshore until the next tax year begins.

I am interested in transferring my UK pension to a QROPS. What do I do next?

SCF are the first to be able to offer QROPS to expatriates in Central and Eastern Europe and in the Middle East. We have teamed up with two of the most respected providers of QROPS schemes, to offer safe, quick and easy transfer of pension benefits. SCF have already successfully completed many QROPS transfers for clients.

SCF do not charge for providing the pension transfer analysis and there is no obligation to proceed. Any transfer of pension benefits would be directly from your existing pension provider to the QROPS provider.

CONTACT DETAILS

Please visit us at www.starcapitalfinance.com or alternatively email us at j.malir@scfinance.cz or/and j.hartland@scfinance.cz to obtain further information or to set up a meeting with one of our qualified professionals.

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