QUALIFYING NON-UK PENSION SCHEME (QNUPS)

PRODUCT BROCHURE

LATIN AMERICA

A WEALTH *of* DIFFERENCE

utmost™
WEALTH SOLUTIONS

utmost
WEALTH SOLUTIONS

WHAT IS A QNUPS?

The term Qualifying Non-UK Pension Scheme (QNUPS) is used to describe a non-UK scheme that meets the conditions in UK tax rules to be free from UK Inheritance Tax (IHT).

USING A QNUPS CAN OFFER YOU:

- the opportunity to build up a pension fund outside of the UK and later enjoy the benefits in retirement, whether or not you are then living in the UK;
- flexibility with the type of investments which can be used to help grow your pension fund in a tax-efficient way (see page 10);
- death benefits payable to your beneficiaries without any liability to UK IHT (provided conditions are met – see page 12)

QROPS vs QNUPS

The term Qualifying Recognised Overseas Pension (QROPS) is used to describe a non-UK pension scheme that meets the conditions in UK tax rules to receive transfers from UK registered pensions.

QROPS are primarily intended for use by those who permanently leave the UK and wish to simplify their affairs by taking their pension savings with them.

It is possible for overseas pension schemes to meet the conditions to be both a QNUPS and a QROPS at the same time, but this does not mean that all of them do so. It is important to make sure the pension scheme you choose meets the relevant set of conditions for you.

Transfers from UK registered pension schemes to QROPS are subject to UK tax charges if the lifetime allowance charge and/or the overseas transfer charge apply.

Immediately before the transfer to the QROPS, any amount of your pension value which exceeds your available lifetime allowance will have a lifetime allowance charge of 25% taken from it. The amount available after the charge is taken will then be transferred to the QROPS. The standard lifetime allowance is set to be £1,073,100 until at least 5 April 2026 but you might have a protected lifetime allowance that is greater. Your financial adviser can help you find out which lifetime allowance applies to you.

The overseas transfer charge is 25% of the amount transferred to the QROPS, and it applies unless:

- you are resident in the country in which the QROPS is established; or
- the QROPS is established in an EEA state or Gibraltar, and you are resident in an EEA state, or Gibraltar, or the UK; or
- the QROPS is an occupational or public sector pension scheme in relation to your employment

A transfer to a QROPS that was not subject to the overseas transfer charge may later become subject to the charge.

You may later be able to reclaim an overseas transfer charge that was paid.

Transfers from UK registered pension schemes to overseas pension schemes which are not QROPS will result in tax charges of either 40% or 55%, depending on the circumstances and many UK registered pension schemes will not enable such transfers to be made.

Our brochure 'Take your pension away with you' contains more information.

This brochure provides information about overseas pension schemes that comply with the QNUPS rules.

Please ask your financial adviser for a copy of our brochure, 'QUALIFYING RECOGNISED OVERSEAS PENSION SCHEME (QROPS)'

USING A QNUPS CAN OFFER YOU THE OPPORTUNITY TO BUILD UP A PENSION FUND OUTSIDE OF THE UK AND LATER ENJOY THE BENEFITS IN RETIREMENT...

IS A QNUPS RIGHT FOR YOU?

You may be able to make contributions to a QNUPS. This can be useful where you wish to make pension savings but are unable to contribute to a UK registered pension scheme.

It is important to speak to your financial adviser when considering an overseas pension scheme or investment product. Your investment may fall or rise in value and you may not get back what you put in.

The information in this brochure is based on Utmost International's interpretation of the law and HM Revenue and Customs tax practice as at June 2021. We believe this interpretation is correct, but cannot guarantee it. Tax relief and the tax treatment of investment funds may change in the future. The value of any tax relief will depend on an investor's individual circumstances.

Contributions to a QNUPS do not count toward the annual allowance. The standard annual allowance is currently £40,000, but yours may be lower. Your financial adviser can help you determine your correct annual allowance.

When you take retirement benefits from a QNUPS, the amounts you take will not use up any of your lifetime allowance.

Other benefits if you live or work overseas

A QNUPS could provide you with a structured pension scheme that conforms with legislation and rules in the jurisdiction in which it is set up. For example if the QNUPS is set up in Malta, the Maltese legislation and rules apply. These rules give you clarity over when you can take income from your pension fund and how it will be paid.

A QNUPS is portable and flexible, particularly with regards to currencies, making it ideal if you work freelance abroad, regularly change jobs, or move to different countries and are concerned about the impact of exchange rate fluctuations on your investments.

When could a QNUPS be a good savings choice for your retirement?

- If you are a UK resident wishing to supplement your UK pension fund, but you already contribute the maximum annual allowance for UK pension contributions (currently £40,000 if no allowance restrictions are in force) and have used up any unused annual allowance from the three previous tax years. Your financial adviser can help you understand whether or not this would apply to you; and/or
- You are a UK resident and your total UK pension fund is already close to, or with growth may exceed, the lifetime allowance and you want to add to your pension fund without incurring a tax charge (lifetime allowance charge) when you take your UK pension; and/or
- You want to supplement your UK pension but cannot contribute to it because you have insufficient relevant UK earnings; and/or
- You live and work outside the UK and you and/or your employer wish to contribute to a pension – particularly if you're working in a country that does not offer formal pension arrangements.

GETTING DOWN TO THE DETAIL – MORE OF YOUR QUESTIONS ANSWERED

1

How much can I contribute to a QNUPS?

This will depend on local pension rules in the jurisdiction where your QNUPS is based.

2

Why can't I just choose any overseas pension scheme and call it a QNUPS?

To count as a QNUPS, an overseas pension must meet certain rules set by the UK's Her Majesty's Revenue & Customs (HMRC). Broadly, these rules require that the pension scheme must be:

› established outside the UK

› open to local residents (for example, a Guernsey pension scheme must be open to Guernsey residents)

› recognised as a pension in local law

› recognised for tax purposes under local tax law.

Some overseas pension schemes may meet QNUPS requirements by way of provisions that:

› at least 70% of the fund is used to provide you with a pension for life, and/or

› you will be unable to access your retirement benefits before the normal UK minimum pension age (currently age 55).

The full rules are contained in: The Inheritance Tax (Qualifying Non-UK Pension Schemes) Regulations 2010 [SI 2010/0051].

3

Can my employer contribute to the scheme?

An employer may contribute depending on the rules of the scheme and any local law requirements.

4

Do I need to choose a QNUPS from the country where I'll be living?

You may choose any scheme that is appropriate for your circumstances. For example, if you are currently living in the United Kingdom, but are planning to retire to Canada, you could choose a QNUPS administered in the Isle of Man (the jurisdiction). However, you should choose your jurisdiction carefully, to ensure that the local rules fit in with your needs.

It's also possible that the country where you live does not offer pension schemes – in which case you would definitely need to choose one from a different jurisdiction.

If your chosen QNUPS is also a QROPS and you are transferring your UK registered pension scheme, you may have an overseas transfer charge to pay if you choose a pension that is not from the country in which you'll be living.

When can I take my pension benefits?

The minimum retirement age is set by local pension rules. A scheme might meet QNUPS requirements by way of provision in its rules that pension benefits cannot be accessed until the UK normal minimum pension age (currently age 55).

I live in the UK, can I invest in a QNUPS?

Yes – it may be an excellent way to enhance your existing pension arrangements.

› In the UK there is an annual allowance and lifetime allowance and they might limit the size of your fund.

› You probably won't get tax relief on contributions to a QNUPS, but the annual allowance and lifetime allowance won't be a factor.

5

6

7

8

I have several overseas pension schemes – can I consolidate them?

Yes – and consolidation may make record keeping easier and save you paying multiple administration costs. However, you need to be aware that:

› A transfer to a non-UK scheme that is not a QROPS is highly unlikely to be permitted by a UK registered pension scheme; and

› A transfer to a QROPS from a UK registered pension scheme may be subject to a lifetime allowance charge and/or the overseas transfer charge (and the overseas transfer charge may be caused to apply later by a change of circumstances)

› if you have multiple schemes established under different sets of local rules, you would need to understand how your retirement planning could be affected by having your pension benefits under a single set of local rules.

Will I pay tax on my pension benefits?

The amount of tax you pay on your benefits will depend on the underlying investment you choose and where you live. Please speak to your financial adviser about your personal circumstances.

WHAT YOU SHOULD CONSIDER BEFORE CHOOSING A QNUPS

A QNUPS offers a range of benefits if you are working abroad or wish to supplement your UK pension arrangements. However, a QNUPS is not suitable for everyone, so please read this page to see whether a QNUPS could be right for you.

GENERAL CONSIDERATIONS

You may want to consider a QNUPS if you:

- want to supplement your existing pension arrangements
- want to save for retirement in an IHT-efficient way
- are happy to tie your money into an investment until you reach the required retirement age.

RESIDENCY CONSIDERATIONS

A QNUPS may be appropriate for you if:

- you are UK resident and
  - your UK pension fund has reached, or is close to, or with growth is likely to exceed, the lifetime allowance; or
  - you wish to contribute more than the annual allowance for UK pensions combined with any unused allowance from the previous three tax years; or
  - you have some money (other than relevant UK income) that you want to invest in a pension.
- you are not UK resident and
- you wish to save for retirement from your overseas earnings;

and/or

your existing UK pension cannot, or should not, be transferred overseas (to a QROPS) for one of the following reasons:

  - your only UK pension is the UK basic state pension
  - your UK pension is in a final salary (or defined benefit) scheme with enough funds to meet all its liabilities
  - your UK pension includes benefits such as a guarantee, a spouse's pension or a higher tax-free lump sum
  - your employer bears the cost of the scheme.

- you only hold non-UK pension funds.

Before setting up a QNUPS, you should also consider the costs involved compared to the amount you have to invest. The cost of setting up a QNUPS may make it less suitable for smaller investment amounts. Your financial adviser can help you decide whether the benefits of the QNUPS will outweigh these charges.

USING QNUPS TO PROVIDE FOR YOUR FAMILY

If you have a family, providing for their future may be an important consideration when you are choosing a retirement solution.

You may want to provide for your retirement but also leave some provision for your loved ones once you have gone.

If so, a QNUPS can help you because it is not usually subject to IHT although the jurisdiction under which your QNUPS is set up may apply its own tax charge. Your financial adviser can help you determine whether or not this would apply.

This means you should be able to pass the entire pension fund on to your beneficiaries, free from IHT.

However, in some circumstances, HMRC may deem that the IHT exemptions do not apply, for example, if the sole purpose for investing in a QNUPS was the avoidance of IHT rather than provision of pension benefits.

HELPING YOU MAKE THE RIGHT CHOICES

A step towards the right decision.

THERE ARE THREE MAIN FACTORS YOU NEED TO CONSIDER WHEN CHOOSING A QNUPS:

The factors are (but are not limited to) the jurisdiction, the provider, and the underlying investments.

Please talk to your financial adviser to make sure you choose the most appropriate QNUPS provider for your needs.

A QNUPS is likely to be an investment-based scheme, and if it is, your contributions can be placed in a range of different investments according to your needs and your attitude to risk. You should also discuss this in detail with your financial adviser before setting up your QNUPS.

What should I look for when choosing a jurisdiction for my QNUPS?

It is important to choose an established jurisdiction with proven experience in international pension solutions. These jurisdictions may also have local pension regulations to ensure robust and consistent practice.

However, there are differences between the jurisdictions which are worth considering when you're choosing a QNUPS. Some jurisdictions have limits on the lump sum you can take, while others tax any income or payment on death. Other factors to consider include language, time zones and the country's reputation and security as a financial services centre.

What should I look for before selecting a QNUPS provider?

1. A proven track record in international pension solutions.
2. A reputation for providing excellent customer service. Check which services are included in their annual fee, or as part of their set-up, any ongoing or winding up charges, and any services which might incur extra costs.

These services could include:

› technical expertise and advice on pensions

› holding your pension fund as trustees

› servicing and administering your QNUPS

› investment management

› arranging your pension payments

› co-ordinating the transfer of your non-UK pension funds.

3. The underlying investment solutions which are available for the QNUPS and how the taxation of these investments will interact with local pension rules.

What kind of investments can I include in my QNUPS?

A QNUPS could offer you access to an extremely wide choice of investments, from property to insurance-based solutions.

Depending on your investment needs, you may have to pay additional costs for someone to manage these specialised investments. The investments you choose may also influence whether your QNUPS benefits will be taxed, and if so, how you will be taxed in your country of residence. You may also wish to consider a specialised, packaged product such as an offshore investment bond.

Please speak to your financial adviser about the most appropriate investment solution for you.

MAKING CONTRIBUTIONS INTO YOUR QNUPS

Are there any restrictions on the contributions I can make?

There may be local rules on contribution levels that apply to a QNUPS in some jurisdictions, so it's important to consider these when choosing which QNUPS jurisdiction to use.

A QNUPS is an overseas pension scheme which has IHT exemption, rather than a vehicle to be used to avoid IHT liability. If HMRC believes you have invested in a QNUPS for the direct purpose of avoiding an IHT liability, they may deem the IHT exemptions do not apply, and your beneficiaries would have to pay IHT after all. If the payments into your QNUPS have adversely affected your standard of living, this may also be seen as making contributions to the scheme purely to avoid IHT.

THE FOLLOWING EXAMPLES MAY HELP TO EXPLAIN WHAT HMRC MAY ACCEPT AS SUITABLE CONTRIBUTIONS TO A QNUPS:

EXAMPLES OF POTENTIALLY ACCEPTABLE CONTRIBUTIONS

John

John is aged 55 and is UK resident. He has wealth of over £1 million and would like to make a lump sum contribution of £150,000 into his existing QNUPS, which is currently worth £250,000. The contribution will come from the proceeds of the sale of a rental property. This does not affect his standard of living.

Mark

Mark is aged 48 and is not UK resident. He is employed overseas but there are no pensions provided in the country where he resides. His employer is happy to contribute to a pension scheme for him and suggests paying 15% of his salary each year as monthly contributions into a Guernsey QNUPS. This does not affect Mark's standard of living.

Please note: these case studies are fictional and used purely to illustrate possible real-life scenarios.

EXAMPLES OF POTENTIALLY UNACCEPTABLE CONTRIBUTIONS

Julie

Julie is aged 70 and has been retired for 20 years. She has UK assets worth £5 million. She has been told that if she transfers money into a QNUPS, it will not be liable for IHT. She wants to transfer £1 million into a QNUPS and start taking benefits straight away. This could be considered an unacceptable contribution if the sole purpose of investing in the QNUPS was for IHT purposes rather than pension provision.

Anna

Anna has been diagnosed with terminal cancer and has been told she has six weeks to live. She has an income of £100,000. She rents property and holds investments valued at £500,000. She wants to invest a large portion of this into a QNUPS. Because Anna is critically ill at the time the payments are made, if she was to later pass away within two years of the investment, then HMRC may deem that the QNUPS IHT exemptions do not apply. Should she survive beyond this, the contributions might still not be considered reasonable if not in proportion to her retirement needs.

MORE ABOUT CONTRIBUTIONS

Who can contribute?

Depending on where you live, either you or your employer may contribute. Contributions will not usually attract tax relief. Please speak to your financial adviser about the tax considerations.

How much can I contribute?

Depending on local rules, there is often no maximum amount that can be contributed, because QNUPS contributions do not usually attract tax relief. However, contribution levels should be consistent with retirement planning to ensure IHT efficiency, as explained on page 12.

Minimum contributions will depend on the product provider and the underlying investment assets you select. Specialised investments often require higher management costs, so you may need higher minimum investment levels to help make them cost effective.

What sources can I use to pay contributions?

Depending on the rules of your chosen scheme, you can pay your contributions, or transfer money into your QNUPS, from a range of different sources, including:

- existing non-UK pension funds
- overseas earnings
- other investments or savings
- legacies
- transferring existing assets – subject to acceptance by the QNUPS provider.

CHOOSING AN UTMOST INTERNATIONAL SOLUTION FOR YOUR QNUPS

Utmost International offers a range of award-winning investment solutions that are normally appropriate as the underlying investment of a QNUPS.

Our products enable flexibility and diversity so that you and your financial adviser can build a portfolio that helps meet your specific financial needs, without restricting your asset allocation or currency options. This means your assets can be managed according to your own criteria and attitude to risk, and you have the option to switch between markets and some asset groups - all within a tax-efficient environment.

Please speak to your financial adviser to find out which of Utmost International's solutions is most appropriate for your QNUPS.

A WEALTH *of* DIFFERENCE

www.utmostinternational.com

Calls may be monitored and recorded for training purposes and to avoid misunderstandings.

Utmost International Isle of Man Limited is registered in the Isle of Man under number 024916C.
Registered Office: King Edward Bay House, King Edward Road, Onchan, Isle of Man, IM99 1NU, British Isles.
Tel: +44 (0)1624 655 555 Fax: +44 (0)1624 611 715. Licensed by the Isle of Man Financial Services Authority.

Utmost Wealth Solutions is registered in the Isle of Man as a business name of Utmost International Isle of Man Limited.

Utmost Wealth Solutions is the registered business name of Utmost International Isle of Man Limited Singapore Branch.
Utmost International Isle of Man Limited Singapore Branch, 6 Battery Road #16-02, Singapore 049909.
Tel: +65 6216 7990 Fax: +65 6216 7999.

Registered in Singapore Number T08FC7158E. Authorised by the Monetary Authority of Singapore to conduct life assurance business in Singapore.
Member of the Life Insurance Association of Singapore. Member of the Singapore Finance Dispute Resolution Scheme.

Utmost International Isle of Man Limited is registered in the Isle of Man under number 024916C.
Registered Office: King Edward Bay House, King Edward Road, Onchan, Isle of Man, IM99 1NU, British Isles.
Licensed by the Isle of Man Financial Services Authority.

Utmost Wealth Solutions is registered in the Isle of Man as a business name of Utmost International Isle of Man Limited.

Utmost PanEurope dac is regulated by the Central Bank of Ireland. Registered No 311420.
Administration Centre for correspondence: King Edward Bay House, King Edward Road, Onchan, Isle of Man, IM99 1NU, British Isles.
Tel: +353(0)1 479 3900 Fax: +353(0)1 475 1020.

Registered Office address: Navan Business Park, Athlumney, Navan, Co. Meath, C15 CCW8, Ireland.

Utmost Wealth Solutions is registered in Ireland as a business name of Utmost PanEurope dac.

UWSQ PR 08077 | 01/24