



SOVEREIGN™

QROPS

SOVEREIGN RETIREMENT PLANNING

If you have lived in the UK and moved overseas you may be considering your international retirement planning options, specifically what you should do with the pension you have left behind in the UK. Although you are no longer UK resident, it may not have occurred to you that

your UK pension might still be subject to UK taxation. The good news is that you can simplify your affairs by transferring your UK pension to a Qualifying Recognised Overseas Pension Scheme ('QROPS').

WHY CHOOSE SOVEREIGN?

Sovereign began in Gibraltar in 1987 and has since grown into one of the largest independent corporate and trust service providers in the world. It currently manages over 20,000 clients that include companies, entrepreneurs, private investors or high net worth individuals and their families – and has assets under administration in excess of US\$10 billion.

Sovereign is a market leader in international pensions and offers a comprehensive range of QROPS and other personal pension solutions for the internationally mobile

from its Gibraltar, Malta, Isle of Man and UK offices. The products offer a transparent and competitive charging structure and the option to switch seamlessly within the Sovereign QROPS range.

Sovereign supports the work of the UK Pension Scams Industry Group ('PSIG') in combatting pension scams and adopts the principles of its Code of Good Practice.



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WHAT IS A QROPS?

Under UK legislation introduced in 2004, effective from April 2006, UK citizens who have left the UK to emigrate permanently (or who have a demonstrable intention to move overseas), and who intend to retire abroad, having built up a UK pension fund may transfer their UK pension benefits to a non-UK pension scheme. Likewise, non-UK citizens who have worked in the UK and built up benefits in a UK registered pension scheme can move their UK pension overseas if they choose to retire outside the UK. In both cases, the transfer must be made to a QROPS that is recognised by HM Revenue & Customs ('HMRC') HMRC.

Sovereign offers QROPS based in Gibraltar, Malta and the Isle of Man. Your financial adviser will be able to guide you in choosing the jurisdiction best suited for your retirement needs.

Sovereign offers QROPS structured on both a trust and contract basis. Both are personal retirement schemes approved under the relevant legislation in the jurisdiction in which they are administered, and both structures are acceptable to HMRC.

WHICH PENSIONS CAN I TRANSFER TO A QROPS?

Any UK registered defined contribution pension scheme may be transferred to a QROPS. It is not usually possible to transfer a defined benefit pension once it is in payment or is an insurance company annuity, a UK state pension entitlement or an unfunded UK public sector pension scheme.



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**Sovereign has QROPS based in
Gibraltar, Isle of Man and Malta...**

THE OVERSEAS TRANSFER CHARGE ('OTC')

This charge was introduced by HMRC in the Spring Budget 2017 and may apply upon transfer to a QROPS. The OTC is charged at a flat rate of 25 per cent of the transfer value and would be deducted by the UK scheme administrator prior to transfer to the QROPS, and then remitted to HMRC. There are a number of instances where you would be exempt from this charge. At least one of the following must apply for you to qualify for an exemption:

- Both you and the QROPS are in the same country after the transfer.
- The QROPS is based in one country in the EEA (an EU member state, Norway, Iceland or Liechtenstein) and you are tax resident in another EEA country at the point of, and immediately after, a transfer. Gibraltar and Malta are both in the EEA.
- The QROPS is an occupational pension scheme sponsored by your employer.
- The QROPS is an overseas public service pension scheme as defined at regulation 3(1B) of S.I. 2006/206 and you are employed by one of the employers participating in the scheme.
- The QROPS is a pension scheme established by an international organisation as defined at regulation 2(4) of S.I. 2006/206 to provide benefits in respect of past service and you are by that international organisation.

It is important to note that the reason for the exemption must apply for at least five full, complete and consecutive UK tax years following the transfer, otherwise, the OTC would be still be applicable.



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Transferring a UK pension to a QROPS may offer a number of advantages.

WHAT IS THE TAX SITUATION?

Transferring a UK pension to a QROPS may offer a number of tax advantages.

Sovereign recommends that you take individual bespoke tax advice before transferring to a QROPS. You will need to consider issues such as the length of time you have been non-UK tax resident, whether you intend to remain non-UK tax resident, the tax treatment of any pension

income you may be paid in the country in which you are tax resident, and the treatment of any death benefit payments the QROPS may make. HMRC may impose financial penalties including “Member Payment Charges” in certain circumstance so it is important that you obtain suitable advice for your circumstances from a qualified professional to ensure you are aware of any tax consequences of transfer.

CAN I TRANSFER MORE THAN ONE PENSION TO A QROPS?

Yes, it is common to have accrued several pension pots from different employment in the UK. These pensions may be consolidated within a single QROPS, easing administration and allowing one coherent investment strategy.

WHAT INVESTMENT OPTIONS DO I HAVE?

Once your UK pension fund has been transferred to a QROPS, your financial adviser will agree an investment strategy with you in keeping with an agreed risk profile.

This might include advice on how the QROPS assets are to be held and whether a structure such as an investment platform or insurance bond should be used.

The investment options within a QROPS are broad and include collective investment funds, equities, corporate and government bonds, cash and commercial property. Multiple currency options are also possible which allows a hedge against currency risk.

WHO WILL RECEIVE MY PENSIONS WHEN I DIE?

You may nominate a death beneficiary of your choice. Unlike many UK pension schemes this need not be a financially dependent beneficiary, meaning that grown up children may receive the QROPS death benefits, as well as a surviving spouse or dependant children.

WHAT IF I RETURN TO THE UK?

In the event that you unexpectedly return to the UK, you can keep your QROPS. The sum that you originally transferred to the QROPS – less any benefits paid out – would become subject to the rules for UK registered pension schemes.

A pension paid from a QROPS to a UK tax resident member will normally be subject to UK income tax at the individual's marginal tax rate.

Sovereign also offers a range of personal UK registered pension schemes including Self-Invested Personal Pension schemes ('SIPPs'). You may consider a transfer from a QROPS to a SIPP.

WHAT HAPPENS IF MY PLANS CHANGE?

In certain circumstances, one QROPS jurisdiction may be more suitable than another. This will depend on where you reside when you draw benefits. Sovereign offers free switches between its QROPS schemes providing valuable peace of mind that the most suitable option is always available to you, regardless of where you retire.

CAN I TRANSFER OUT OF A QROPS?

Yes, it is possible to transfer a QROPS to a UK registered pension scheme or another QROPS.



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QROPAS/10/25102018

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