

PENSIONS UPDATE

APRIL 2016 | ISSUE 12

ARTWORK BY MAN FUNG YI

Flexible benefits in Guernsey

October 2015 saw Guernsey introduce a new regime for flexible pension benefits as outlined in issue 11 of this newsletter.

In light of feedback from its valued introducers, Sovereign is working to expand its Guernsey proposition. This will include a new scheme, approved under Section 157A of Income Tax (Guernsey) Law, which will facilitate flexible benefits.

Following dialogue with the Guernsey authorities, it is anticipated that existing members of Sovereign's former Guernsey QROPS arrangements will have the option to transfer to the new scheme should they wish.

We hope to launch the new plan later this year and more information will be available from your local Sovereign representative over the coming months.

Pensions reliefs spared in UK Budget

UK Chancellor George Osborne dropped plans to end or alter tax relief on pension contributions in the Budget on 16 March. A Treasury source said it was "not the right time" to make changes to pension tax relief.

This came as much to the relief of savers and industry stakeholders alike. Under the current system, pension savers receive tax relief at the same rate as their income tax – meaning basic rate taxpayers receive relief at 20% and higher rate taxpayers at 40% or 45%.

One of the more significant Budget announcements was a proposed Lifetime ISA (Individual Savings

Account), to be made available from April 2017. Annual contributions of up to £4,000 will be eligible for a government bonus of 25% provided the funds are used towards a first home or for retirement after the age of 60.

In addition, it was announced that the limit for total ISA savings in any year is to increase to £20,000 in April 2017 from its present level of £15,240. Clearly ISAs can be viewed as an increasingly viable alternative to traditional pensions savings for UK residents, albeit slightly less compelling for higher earners who still achieve tax relief at their top rate via a pension.

Investment parameters extended to Guernsey pensions

Sovereign regularly receives positive feedback, from both introducers and regulators, for the robust yet pragmatic pension scheme investment parameters that have applied to its Gibraltar, Malta and Isle of Man pensions. These parameters were adopted to establish best practice and reflect the regulatory environment in which we operate.

In order to standardise the approach across the group, the trustee of the Guernsey-based schemes adopted identical investment parameters for all Guernsey plans with effect from 1 April 2016. There is no requirement for immediate adjustments to existing portfolios, but any new investment instructions must follow the new guidelines. Further information is available [here](#).

Malta the preferred option

Sovereign's Malta office has seen very strong business levels in recent months. This is thought to be due in part to the introduction of new flexible benefit regime in Malta. Sovereign's Centaurus and Centaurus Lite QROPS arrangements commenced offering the option of Flexi-Access Drawdown pensions for members aged 55 and above in January of this year.

There has not been an avalanche of requests for full withdrawals, but adviser feedback suggests that pension scheme members do appreciate having the option of the increased flexibility, should they need it.

UK Lifetime Allowance Protection

The UK Lifetime Allowance for pension savings was cut from £1.25 million to £1 million with effect from 6 April 2016. This follows a reduction from £1.8 million to £1.5 million on 6 April 2012 and a further reduction to £1.25 million from 6 April 2014. Any excess over that limit will be taxed at 25% (if drawn as pension) or 55% (if taken as a lump sum) when the member starts to take their pension or benefits.

A new form of transitional protection will be introduced for those who have been saving with the previous threshold in mind, subject to certain conditions. In order to assist we have prepared a new [factsheet](#) that is available alongside a range of other factsheets on the Sovereign/PenTech [International Financial Adviser Support "IFAS" portal](#).

New flat rate UK State Pension

The UK's two-tier state pension system was replaced with a new flat rate state pension from 6 April 2016. The full flat rate pension is worth £155.65 per week based on present rates. In order to qualify for the full entitlement, 35 years of qualifying national insurance contributions or credits will be required, with a minimum of 10 years of payments to accrue any entitlement. Previously it took 30 years of payments or credits to qualify for a full basic state pension.

Transitional provisions exist for those who have accrued state pension entitlements under the old rules. This is to ensure that any future entitlement is at least as generous as under the previous system.

More information is available via the following link to the [UK government portal](#).

Reduced fees for the PenTech AIA Programme

Sovereign's business introducers will now be familiar with the PenTech-administered Appropriate Independent Advice (AIA) programme. This facility provides access to pension transfer reports from a panel of FCA-regulated (Financial Conduct Authority) firms. The huge success of this facility has enabled PenTech to reduce the report fees to £995. The programme is available for registered users of the "IFAS" portal via a dedicated section. The User Guide is very comprehensive and explains the full process.

CONTACT

Cyprus

Baiba Saldovere
+357 25 733 440
bsaldovere@SovereignGroup.com

Dubai

Matthew Tailford
+971 (0) 4270 3400
mtailford@SovereignGroup.com

Gibraltar

Darren Whitley
+350 200 76173
dwhitley@SovereignGroup.com

Guernsey

Ju Francart
+44 (0) 1481 729 965
jfrancart@SovereignGroup.com

Hong Kong

Yuseff Murphy
+852 2542 1177
ymurphy@SovereignGroup.com

India

Ravi Viroomal
+350 5403 1054
rvroomal@SovereignGroup.com

Isle of Man

Kerry Scholes
+44 (0) 1624 699 800
kscholes@SovereignGroup.com

Malta

Stephen Griffiths
+356 2788 8132
maltapensions
@SovereignGroup.com

Singapore

Will Headly
+65 6222 3209
wheadly@SovereignGroup.com

South Africa

Coreen van der Merwe
+27 21 418 2170
cvandermerwe
@SovereignGroup.com

United Kingdom

Richard Chandler
+44 (0) 20 7389 0555
rchandler@SovereignGroup.com