SOVEREIGN

PENSIONS UPDATE

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Cristina Cassar Difesa appointed MD of Sovereign Pension Services in Malta

Malta-based Sovereign Pension Services Ltd (SPS) is delighted to announce the appointment of Cristina Cassar Difesa as Managing Director. Previously Operations Director of SPS, her appointment is a natural progression given the growth and development of Sovereign's pensions operation in Malta.

Stephen Griffiths, who initially established Sovereign's pension operations in Malta, has stepped aside to focus on his role as Managing Director of Sovereign Trust (Malta). He is to continue as a director of SPS.

Cristina joined Sovereign in 2012 after graduating from the London School of Economics with a BSc in Business. She helped to oversee the set-up of the pensions team in Malta and, together with Stephen, has played a key role in managing the growth of the business. SPS now has more than £600 million of assets under administration and a growing book of business.

As Operations Director since 2017, Cristina has successfully steered the business through the regulatory challenges imposed both by HMRC and the Maltese government. Her promotion to MD is testament to her leadership skills and technical knowledge.

Brexit and the QROPS Overseas Transfer Charge

Since the introduction of the QROPS Overseas Transfer Charge (OTC) in March 2017, transfers to QROPS from UK-registered pension schemes have attracted a tax charge of 25% unless at least one of five listed criteria for exemption is met.

One of these five criteria applies to members who are resident in the European Economic Area (EAA) provided that the QROPS is also based within the EEA. In order to remain exempt from the OTC, both these conditions must continue to be met for a further five full tax years after the transfer.

Now that the UK is no longer part of the EEA, UK resident QROPS members who relied on this exemption to avoid the OTC but have not yet completed five tax years since transfer, now face a potential tax bill.

Fortunately HMRC updated its guidance in the Pensions Tax Manual on 3rd February 2020 to reflect the current transitional stage of the UK's withdrawal from the EU. The new wording is as follows:

"A recognised transfer or onward transfer is excluded from the charge if the QROPS receiving the transfer is established in a country within the European Economic Area (EEA), or Gibraltar, and the member is UK resident, or resident in a country within the EEA or Gibraltar."

The exact nature of the UK's ongoing relationship with the EU remains subject to discussion and negotiation. This may well affect the future portability of UK pensions in a tax efficient manner for internationally mobile clients. Those considering a QROPS transfer within the EEA should consider taking advice now whilst the framework retains its current flexibility.

Sovereign scoops International Retirement Provider award

Sovereign Group is delighted to have again won the 'International Retirement Provider' category at the influential International Adviser Global Financial Services Awards 2019, which identify excellence across the industry.

Beating off stiff competition, Sovereign was recognised for its "innovation, continued investment, service and commitment to the industry sector".

The award was presented to Sovereign CEO Gerry Kelly at a gala dinner in London's JW Marriott Grosvenor House Hotel on 17th October, attended by over 150 industry representatives.

"We are delighted to have received the International Retirement Provider award, which is a testament to the strong and hard working teams in Sovereign's retirement planning offices," said Kelly.
"Sovereign continues to invest both in product development and systems. We have recently committed significant resources to upgrade our retirement planning software with the aim of improving the service for clients who reside in over 130 countries."

Sovereign was also nominated in two other categories. Sovereign Group was shortlisted in the 'International Trust and Estate Planning Firm' category, while its Malta-based Kemmuna QROPS was shortlisted in the 'Best International Retirement Product' category.

This is the third time that Sovereign has been recognised for its products and services at the International Adviser Global Financial Services Awards. It was named the best International Trust and Estate Planning Firm in 2018 and the best International Retirement Provider in 2016.

End of Service Gratuity (EOSG) plans gain traction in the Middle East

Sovereign's flexible End of Service Gratuity (EOSG) plan is attracting the attention of Middle East-based employers. The EOSG – widely-used in the Middle East – is an unstructured system that provides departing employees with a cash lump sum based on their salary and length of tenure with the company.

The sustainability of this system is now being questioned, much like defined-benefit retirement provision elsewhere. Many companies in the Middle East do not have a structured funding system for their EOSG liabilities and those that do often fail to ensure legal separation of the funds or assets held for the benefit of employees from those held for the business. This leaves staff vulnerable if an employer comes under financial pressure and there have been a number of incidences of individuals losing their EOSG entitlement due to employer insolvency.

Employees situated in Dubai's International Financial Centre (DIFC) now find themselves enrolled in a new default defined contribution-style scheme or a close alternative if they prefer. It is widely suggested that labour law outside the DIFC will also be amended to adopt a similar approach.

Businesses in the Middle East can stand out from their competitors by funding their EOSG liability via a trust that ensures the legal separation of the EOSG fund from the assets of the business. Businesses can also choose to add a 'top up' facility that enhances the benefit over and above the basic EOSG benefit – typically on a defined contribution basis with a matching employer contribution. Senior staff can also be granted equity in the business as part of the same structure.

Sovereign offers a Guernsey-based EOSG plan that caters for all of these requirements, from the basic off balance sheet funding solution to offering a full range of employee benefits. It is also flexible enough to be adapted post set-up to ensure continued compliance with local labour laws.

Sovereign has substantial expertise in setting up and managing employee benefit schemes and we offer a full consultancy service from inception to implementation and beyond.

Please contact Matthew Tailford at mtailford@SovereignGroup.com or Sean Gillease at sgillease@SovereignGroup.com for more information.

Sovereign Pension Services (UK) extends adviser support to US/UK pension business

Sovereign Pension Services (UK) is delighted to announce that it is in the process of extending its Business Development Support for introducing Independent Financial Advisers (IFAs) to the US market.

New Business Director for the US region Darren Whitley said: "We've spent the past 18 months researching the market and are very confident that our self-invested personal pension (SIPP) plans provide an excellent solution for US-based residents. My team and I will be spending a large part of 2020 in the region discussing client requirements and assisting introducers in meeting these requirements.

"The appetite in the US adviser market – and from those seeking to enter the market – for UK pension services is strong and we are committed to working with firms that have established themselves within the correct regulatory framework in the US."

The extension of Business Development Support to the US market underlines Sovereign's commitment to support fully compliant introducers in an increasingly demanding global legislative environment. For further information on our US pension solutions or assistance with US market entry, please contact Darren Whitley at dwhitley@SovereignGroup.com

Sovereign Pension Services gains Occupational Scheme Licence in Malta

Sovereign Pension Services in Malta has been granted an occupational scheme licence from the Malta Financial Services Authority. Following the success of our occupational scheme products in Gibraltar, we are looking to expand into the Maltese market and we anticipate a launch in mid-2020.

Our selected partners have proven track records in providing investment management and custody services for occupational schemes. This product will be the first of its kind in Malta and we have no doubt that it will be an excellent addition to Sovereign's existing array of corporate retirement planning solutions. The Malta 2020 budget included a renewal of the existing tax incentives linked to occupational pension schemes for the local market:

- Employers enjoy a maximum of €2,000 per employee per annum, deducted from taxable income in line with contributions.
- Employers can claim a tax credit of 25% of their annual contributions in respect of each employee, up to a maximum of €500 per annum for each employee.
- Employees can also claim a tax credit of 25% of their annual contributions towards their pension up to a maximum of €500 per annum.

Sovereign welcomes the renewal of these incentives, which are aimed at boosting engagement in the local retirement planning market. They indicate that Malta is moving towards a tax system that supports and encourages private retirement schemes, and we look forward to seeing additional incentives in the coming years.

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