QNUPS - Friend not Foe to the UK Treasury

OPTIMUS

For those that still think Qualifying Non-UK Pension Schemes ("QNUPS") are a little bit 'out there' for their liking, it may be time to re-evaluate.

Once upon a time, opinions on QNUPS were polarised between supporters of the one-dimensional, IHT-salvation message and cynics of such an aggressive pitch who would not be associated with it. The reality was that these two positions cancelled each other out to such an extent that QNUPS remained a fringe planning opportunity for a while.

Back to the present, and we are seeing more and more advisers prepared to occupy the middle ground of opinion, and for good reason.

Properly arranged QNUPS are not designed to magic tax away. The trustees pay income tax at the rate applicable to trusts - just like thousands of overseas trust arrangements known to HMRC and which have been put together by settlors and advisers as an acceptable, transparent structure designed to be efficient, yes, but aggressive, no.

The capital gains treatment, too, is the same as any other overseas trust with the exception of an additional piece of legislative protection that also exempts it from the non-resident CGT charge. And, without getting too technical, that same exemption is also available to UK registered pension schemes, which are hardly the most venomous of tax structures as far as HMRC is concerned.

Members of QNUPS pay income tax when they receive benefits, exactly like members of registered pension schemes. There is a tax-free element to the benefits, of course, but so is there with a registered pension scheme.

UK registered schemes are intentionally tax preferred through a system of tax relief on contributions. QNUPSs cannot get tax relief on contributions but just like a registered scheme does not suffer IHT on death of the member. All-in-all, both serve a similar purpose but a QNUPS member will pay a little more tax. Only fair.

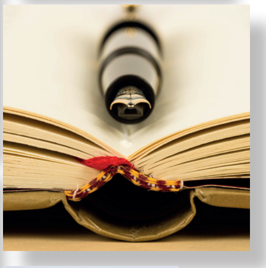
Tax rules governing offshore bonds have existed, largely untouched by the legislative pen, for decades. Put simply, an offshore bond is a mechanism for high net worth and mass affluent individuals to store after-tax savings for the future, just like a QNUPS. It does not in itself offer any IHT protection (which a QNUPS does) but does allow access to 5% of capital per annum from day one without an immediate charge to tax (which a QNUPS doesn't).

In other words, a QNUPS reaches the parts that registered schemes and offshore bonds cannot reach. So why it hasn't always lived in the same middle-class neighbourhood of non-aggressive tax wrappers is something of a mystery.

And something else, too. The UK government's consistent reduction of the annual and lifetime allowances has not been popular but has happened because the books must be brought closer towards balance (a £20bn plus pension tax relief bill cannot be ignored). You'd think, wouldn't you, that a top-up pension product would be a welcome relief and treated as benignly as possible by HMRC, not attacked.

A very small number of registered UK schemes (e.g. SSASs) and offshore bonds are used in what might be seen as an aggressive way but the overwhelming majority are welcomed and encouraged by lawmakers for the positive contribution they make to the financial planning ecosystem. The same is true of QNUPS.

> "Acting as a top-up pension product is a welcome relief "



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