



The Heat is on...for EPT holding UK Residential Property **OPTIMUS**

The Autumn Budget Statement confirmed that inheritance tax will be charged on UK residential properties owned via offshore companies and trusts with effect from April 2017. Advisers will be considering options to minimise the impact of the changes including 'de-enveloping', utilising an offshore bond and insurance contract on the life of the shareholder. These all have benefits and should be given consideration. Another option that should be reviewed by advisers to reduce this impact is a QNUPS.

QNUPS isn't a tax planning product, it is an overseas pension which was created by specific UK legislation. To qualify certain conditions need to be met, which are set out in the Inheritance Tax 1984 Act (S271a). Qualifying QNUPS offer a wide variety of benefits and are considered Excluded Property for IHT purposes.

Within the QNUPS, the assets remain Excluded Property for IHT purposes and under the current regime also benefits from CGT exemption on future growth, this is due to the statutory exemption afforded to overseas pensions.

With only three months left before existing residential property no longer qualifies as Excluded Property for IHT purposes in traditional non-dom offshore structure, a small window of opportunity exists to decant the assets, or shares in the SPV holding the assets, into an alternative structure which best suits the needs of the client.

The Optimus Enhanced Retirement Scheme ("OERS") QNUPS is approved in the Isle of Man under specific pension legislation and regulated as such. In addition it is also approved by the Isle of Man tax authorities under local tax legislation. For a client with genuine desire to supplement future retirement and provide future financial protection for their family the OERS is the perfect solution.

The heat map below shows the treatment of various assets holding structures:

Investment Assets	Personal Holding	Excluded Property Trust Holding		QNUPS Holding	
		Direct	Via SPV	Direct	Via SPV
CGT (on sale)	Max Rate	N/A	N/A	N/A	N/A
IHT (on estates over £325k)	Max Rate	N/A	N/A	N/A	N/A
IHT 10-Year Charge	N/A	N/A	N/A	N/A	N/A
UK Income Tax Investments	Personal Tax Rate	Rate applicable to Trusts	N/A	Rate applicable to Trusts	N/A
Commercial Property - UK					
CGT (on sale)	Max Rate	N/A	N/A	N/A	N/A
IHT (on estates over £325k)	Max Rate	N/A	N/A	N/A	N/A
IHT 10-Year Charge	N/A	N/A	N/A	N/A	N/A
UK Income Tax Rental	Personal Tax Rate	Rate applicable to Trusts	Reduced company rate	Rate Applicable to Trusts	Reduced company rate
SDLT - in specie transfer/contribution	-	Max Rate	Max Rate	N/A	N/A
SDLT –Purchase	Standard Rate	Standard Rate	Standard Rate	Standard Rate	Standard Rate
Residential Property - UK				(Member/connected party can't occupy)	
CGT (on sale – Exc to PPR)	Max Rate	Max Rate	Max Rate	N/A	N/A
IHT (on estates over £325k)	Max Rate	Max Rate (from April 17)	Max Rate (from April 17)	N/A	N/A
IHT 10-Year Charge	N/A	Max Rate	Max Rate	N/A	N/A
Exit Charges	N/A	Max Rate (from April 17)	Max Rate (from April 17)	N/A	N/A
UK Income Tax Rental	Personal Tax Rate	Rate applicable to Trusts	Reduced company rate	Rate Applicable to Trusts	Reduced company rate
ATED	N/A	Exemption Possible	Exemption Possible	Exemption Possible	Exemption Possible
SDLT - in specie transfer/contribution	-	Max Rate	Max Rate	N/A	N/A
SDLT – Direct Purchase	Standard Rate	Standard Rate	Standard Rate	Standard Rate	Standard Rate

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