



QROPS - The Ardel Atlantic Plan

The **Ardel Atlantic Plan** is a Qualifying Recognised Overseas Pension Scheme (QROPS). It is an innovative and flexible pension scheme designed especially for US connected individuals who are considering leaving the UK or are already non-resident. A US connected individual in this context refers to an individual who is already, or will become, a US tax payer. QROPS were introduced by Her Majesty's Revenue & Customs (HMRC) in 2006 and offer people who have worked in the UK the opportunity to transfer their accrued pension benefits to another regime recognised by HMRC.

It is important to note that not all overseas pension plans will qualify as a QROPS so care should be taken to ensure that any transfer to an overseas scheme has received the appropriate approval of HMRC. It is not possible to transfer a UK state pension to a QROPS nor is it possible to make a transfer to a QROPS if an annuity has already been purchased.

Transfers from a UK pension scheme to a QROPS, up to the lifetime allowance which is currently £1.8m (reducing to £1.5m from 6 April 2012), are not usually subject to any UK tax charge on transfer. Any transfer of value in excess of the lifetime allowance may be subject to a UK tax charge of 55%, to the extent that this has not already been subject to a UK tax charge. It is possible that there may have been some previous crystallisation of pension rights which might have utilised part of the allowance and so it is important that professional advice is obtained in each individual case.

The Ardel Atlantic Plan

Ardel Trust Company (Guernsey) Limited ("Ardel") is registered with HMRC as a QROPS provider, and administers a Guernsey pension scheme which has been accepted by HMRC, known as 'The Ardel Atlantic Plan'.

The trustees would be willing to accept minimum pension transfers of \$500,000 into the scheme and invite members to join the scheme who are either looking to retire, work or live abroad or who are already non UK resident.

Ardel Trust Company (Guernsey) Limited

PO Box 175, Frances House, Sir William Place, St Peter Port, Guernsey GY1 4HQ
T +44 (0)1481 723573 F +44 (0)1481 732121

The information contained within these notes is necessarily limited in scope and statements made are consequently general in effect. Although every effort has been made to ensure the accuracy of the information on the product sheet, Ardel Trust Company (Guernsey) Limited cannot accept responsibility for any loss suffered as a result of persons relying thereon. The company advises all clients to consult their own professional advisor on all legal, tax and fiscal matters as necessary. Regulated by the Guernsey Financial Services Commission in accordance with The Regulation of Fiduciaries, Administration Businesses and Company Directors, etc (Bailiwick of Guernsey) Law, 2000 as amended 2008. Company registration number: 5487.

Benefits

- Tax efficient for US tax payer
- No income arising for US taxation purposes until distribution
- Not considered a PFIC for US purposes
- IHT planning
- Global access to premium investment options
- There is no requirement to purchase a pension or income annuity
- Once an individual has been classified as non resident in the UK for five full tax years the reporting requirement to HMRC will cease
- There is flexibility in terms of the timing of taking benefits from a QROPS between the ages of 55 and 75
- Preservation of wealth. As there is no requirement to purchase a pension or income annuity, pension proceeds can be fully distributed to beneficiaries following death rather than be forfeit as in the case of a pension or income annuity

Fundamental Principles

To be recognised as a QROPS (the scheme), there are a number of regulation and tax conditions that the scheme must meet:

- The scheme must either be a personal pension or an occupational pension scheme that is regulated in the country in which it is established
- Alternatively, it can be established in the European Economic Area (EEA), subject to adherence to the 70% annuity rules

From a tax perspective, the scheme must be open to residents of the country in which the scheme is established; at least 70% of the funds must be used to provide a pension income on retirement. Pension benefits will not be provided (save in exceptional cases) prior to age 55.



Reporting by the Transferring Scheme

Any recognised transfer to a qualifying recognised overseas pension scheme must always be reported to HMRC by the transferring UK scheme administrator.

It is also important to note that a recognised transfer from a UK registered pension scheme to a QROPS is a benefit crystallisation event. This means that the amount transferred will be compared, as stated earlier, with the lifetime allowance of the UK resident individual.

UK Reporting by The Ardel Atlantic Plan

Ardel as the scheme manager of the QROPS must inform HMRC when they pay benefits from the transferred fund or make further pension transfers from it. The individual will be subject to the usual unauthorised payment tax charges if the overseas pension scheme makes any payments from the transferred fund that would not have been authorised payments under a UK registered pension scheme.

However:

- Ardel does not have to notify HMRC of payments if the scheme member is not resident in the UK when the benefit payment is made and has not been resident in the UK earlier in the tax year or in any of the five preceding tax years. At this point the benefits become specifically subject to the rules of the scheme and more particularly to the pension legislation in the jurisdiction concerned.
- The reporting duty back to HMRC therefore ends after the scheme member is treated for UK tax purposes as not resident or ordinarily resident.
- Usually the scheme rules are less strict than the corresponding rules in the UK i.e. benefit payment rules and the tax payable in the host jurisdiction and country of residence may be more favourable.

US Reporting by The Ardel Atlantic Plan

Ardel will notify the Internal Revenue Service (IRS) of all member contributions. Ardel will also formally report all benefits to the member to allow them to comply with IRS reporting requirements.

Points to Note

Caution regarding tax is also important. Consideration must be given to the US tax regime and both the jurisdiction of the pension scheme and the tax regime of the jurisdiction in which the benefits will be received. In addition considerations such as the existence of a Double Taxation Treaty and the concepts of 'residence' and 'domicile' are likely to be important, particularly in relation to death. QROPS are not for use as a 'pension fund liberation scheme'.

Summary

The Ardel Atlantic Plan is an excellent vehicle for US connected individuals who are considering leaving the UK or are already non-resident. The solution provides individuals with flexibility in their retirement, tax efficiency, and a choice of investment options, all safe in the knowledge that upon death all pension proceeds will be distributed to their beneficiaries.

Please note Ardel Trust Company (Guernsey) Limited are not tax advisors and it is essential for all interested parties to consult their own professional advisors on all pension, tax and legal matters in connection with the establishment of such an arrangement. We would be delighted to make introductions to professionals familiar with the establishment of QROPS arrangements to assist and provide the necessary professional pension, tax and legal support.

For further information contact

Ian Rouget on +44 (0) 1481 731204
ian.rouget@ardeltrust.com

Ardel Trust Company (Guernsey) Limited

PO Box 175, Frances House, Sir William Place, St Peter Port, Guernsey GY1 4HQ
T +44 (0)1481 723573 F +44 (0)1481 732121

The information contained within these notes is necessarily limited in scope and statements made are consequently general in effect. Although every effort has been made to ensure the accuracy of the information on the product sheet, Ardel Trust Company (Guernsey) Limited cannot accept responsibility for any loss suffered as a result of persons relying thereon. The company advises all clients to consult their own professional advisor on all legal, tax and fiscal matters as necessary. Regulated by the Guernsey Financial Services Commission in accordance with The Regulation of Fiduciaries, Administration Businesses and Company Directors, etc (Bailiwick of Guernsey) Law, 2000 as amended 2008. Company registration number: 5487.