Pensioneer
Trustee Company (Guernsey) Limited

Qualifying Non-UK Pension Scheme

Case Study

Background

Dmitry is a Russian domiciled, UK resident professional currently living in London. He is 40 yrs old, and married with two young children. The majority of his assets/investments are in Russia, and he is now considering buying two UK properties. Both properties would be in the value of £2.5m each, the first he and his family will reside in and the second will be held as a long term investment and rented.

Objectives

The client would like to establish a structured wealth platform, to form part of his and his wife's long term retirement plan. Although currently resident in the UK he and his wife may return to Russia in the future where there is no private pension legislation. As such he would like to consider an International Pension Plan which could hold UK based property but would also be appropriate should they return to Russia.

Solution

The advisor has suggested a Qualifying Non-UK Pension Scheme (QNUPS).

This supplementary pension Trust will allow the UK properties to be contributed without the UK lifetime allowance limitations. The UK property, which is to be rented, would be held underlying the pension within an offshore company. As such, the income tax on rental profits from the investment property will be limited to 20% rather than a maximum of 45%. Assuming rental income of approximately £100,000 on the £2.5m property, this could save income tax of up to £25,000 per annum.

It is further recommended that the high value residential property would be held directly by the pension scheme. This is due to the UK Government discouraging the ownership of such properties from being held within a corporate structure. As such the ATED tax would not apply, and Stamp Duty would be payable on the standard UK rates and not the higher 15% enveloped rate.

UK assets will further be protected from IHT at up to 40%, a potential saving of £1m per property and also currently Capital Gains Tax (CGT) on future sales which currently would be 28%.

The pension would also provide the client with a great deal of asset protection and security should they return to Russia.

The Advisor further recommended that independent tax advice is taken to ascertain the tax points.

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