

OFFSHORE PENSION FUND

DO YOU HAVE A PENSION FUND CURRENTLY STUCK IN THE UK?

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We have a solution for you that will save you both hassle and money. It is called an ISIPP.



WHAT IS AN ISIPP?

It is an International Self-Invested Personal Pension.

International Self-Invested Personal Pensions (ISIPP) are a type of UK-registered personal pension scheme that was introduced by the UK's Finance Act 1989. They facilitate the transfer of a UK pension without incurring a tax charge. You may benefit from substantial tax advantages as well as local, qualified investment advice. Think of it as an international or offshore pension scheme.

WHO CAN BENEFIT?

It is possible for both UK residents and international clients to establish an ISIPP.

It is suitable for individuals with UK pensions who become non-UK tax residents and remain so for at least five complete and consecutive tax years. Typically, this would be British expats and South Africans who have worked in the UK and returned to South Africa.

The Sovereign International ISIPP is designed for non-UK tax residents who wish to plan for their retirement.

WHAT PENSIONS CAN BE TRANSFERRED?

Personal pensions (retirement annuities), whether in payment (living annuities) or not. Company pensions not in payment can also be transferred.

UK state pensions or lifetime annuities cannot be transferred. Some pensions from outside the UK can also be transferred.

CAN THE MONEY STAY OFFSHORE?

Yes, but it remains in the UK jurisdiction. Due to ongoing costs, the amount transferred should be at least £50 000.

Once your UK pension fund has been transferred to an ISIPP, your pension fund may be invested via an investment platform such as the Momentum International Investment Option (a linked investment option).

CAN THE MONEY BE TRANSFERRED TO SA?

No (not allowed anymore).

WHY TRANSFER TO AN ISIPP?

There are potential UK tax savings on death (44%) and you can receive local advice from a trusted source. An ISIPP offers reporting currency options, greater investment choices, investment flexibility, opportunity to consolidate pension arrangements, and possible lump sum flexibility at the time of retirement.

CAN I STILL TRANSFER TO A QUALIFYING RECOGNISED OVERSEAS PENSION SCHEME (QROPS) INSTEAD?

Yes, but if you are not an EU resident, you could potentially pay HM Revenue and Customs (HMRC) 25% of your pension fund value when you do the transfer.

LOANS

No loans are possible, nor can you access any capital prior to age 55.

TAX ADVANTAGES

For individuals who have been non-residents in the UK for the past five tax years the key advantages of an ISIPP are:

- Pension income may be paid without deduction of UK tax (though these pension payments need to be reported to HMRC to ensure that the level of payment is in accordance with UK rules).
- The ability to leave your pension to your family free from UK inheritance tax (potentially saving up to 44%).
- No requirement to purchase an insurance annuity.
- Greater freedom and control over your investments.
- Up to 25% of the fund can be taken as a tax-free lump sum.
- Investment flexibility.

AN ISIPP IS POTENTIALLY FREE FROM TAX FOR NON-EU RESIDENTS. THAT MEANS:

- Income tax is potentially deducted in the UK (if UK tax resident).
- Trustees can pay income gross when HMRC confirms to the trustee that a nil tax coding is to be applied.

- Income is not taxed in SA if accumulated as a result of overseas employment.
- No capital gains tax in your own hands.
- No UK inheritance taxes; no probate if beneficiaries have been nominated.
- No VAT.

INVESTMENT OPTIONS

The ISIPP is an open-architecture product. You can choose from collective investment funds, equities, bonds, ETFs and cash (min 5%). Advisory, discretionary and self-investment options are available, as well as multiple currency options. You can also have a bespoke discretionary portfolio (min £80 000).

INCOME AND BENEFITS

You can start taking benefits from age 55. You can access up to 25% as a lump sum, with the remainder providing an income (similar to a living annuity), which would be taxed in the UK at your marginal rate of tax.

If the pension scheme member lives overseas, they may be entitled to apply to receive their pension income without tax and instead pay tax in their country of residence.

WHY AN ISIPP FROM SOVEREIGN TRUST AND MOMENTUM INTERNATIONAL?

Because of the first-class service, planner support, financial strength and the 20-year history of working with the South African investment and adviser community. But let us not forget the competitive fees, as well as the investment and currency flexibility.

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