

'London & Colonial welcomes Gibraltar confirmation surrounding the income tax charge applicable to QNUPS'

"We are not at all surprised that Gibraltar has confirmed a 2.5% tax rate on pension income taken from QNUPS as this is the same rate applied to QROPS.

As some within the industry may already be aware, last April's decision by the Gibraltar Tax Authorities to change the rate of tax payable on any income derived from a QROPS saw the introduction of a new 2.5% taxation rate. Applicable to both Gibraltar and Non-Gibraltar based residents alike, this new rate would not only be payable on any future QROPS derived income but was also applied retrospectively back as far as 2006. It therefore makes perfect sense that the same rate would be applicable to QNUPS.

London & Colonial had its own QNUPS approved as far back as 2009 and since the introduction of the 2.5% taxation rate on QROPS last April, we have retained a 2.5% deduction on all income payments from our own QNUPS.

For many other Gibraltar providers these recent announcements will be welcome, and with the favourable tax advantages a QNUPS can offer clients we will doubtlessly start to see additional providers attempting to get their own schemes approved by the Gibraltar authorities.

Back in the UK it is also interesting to read reports of a meeting that took place last November between Members of the Association of Member-directed Pension Schemes, Association of British Insurers and National Association of Pension Funds and HMRC. The attendees raised concerns with HMRC that some QROPS were being marketed to UK residents for them to transfer into even where the individual had no intention of leaving the UK.

Thankfully HMRC dispelled this age old myth that clients had to have an intention of leaving the UK before being allowed to transfer to a QROPS – even though this is for some still a very commonly held view. "HMRC confirmed that, in order to comply with European Fundamental Freedoms, this was a feature built into the design when the QROPS regime was put into place."

The fact that UK providers felt the need to bring this to the attention of HMRC in the first place is interesting in itself as it seems to highlight that they are obviously aware that QROPS are becoming more well known, more main stream and therefore are perhaps concerned about the competition. However, was this not the intention of the founding principles of EU to encourage cross border competition for the ultimate benefit of the consumer?

The QROPS regime was designed specifically by HMRC as their way to comply with EU law. Gibraltar (unlike, Isle of Man, Jersey, Guernsey) benefits from being within the EU and is now very well positioned as being a jurisdiction of choice given its low 2.5% income tax regime for both QROPS and QNUPS.

Perhaps one day we will also see press comments from HMRC that confirms that QNUPS should also fall under the same EU freedom principles as QROPS..."

-ENDS-

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Notes to Editors

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