

## International Pension Plans

### What's Available?

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Guernsey is an ideal base for International Pension Plans. It has an outstanding reputation as an International Financial jurisdiction, and is a centre of excellence for financial services and pension innovation. In a volatile world Guernsey offers reassuring political stability, a high degree of regulation and is recognised as one of the world's premier International offshore centres.

As one of the leading financial centres in the world, Guernsey has attracted and developed unrivalled expertise in financial services products, legislation and innovation. It is this expertise that makes Guernsey a natural choice where International Pensions and practical solutions are required. Guernsey also has an established domestic and international pension system that has been successful over 30 years.

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#### International Pension Plans – What's Available?

International Pension Plans can be a highly efficient and flexible way of providing for retirement, and the succession planning needs, of international employees. Despite the 'International' focus in the name, some plans are also appropriate and attractive to UK residents and UK corporates. Other types of International pensions provide individuals and corporates, with a solution for geographical locations where little or no pension legislation exists or pension providers are non-existent or extremely limited. Such areas include Africa, Asia, Middle East, Russia/CIS and South America.

Some of the pensions that are available Offshore include:

#### International Pension Plans (IPPs)

Both individuals and companies may setup International Pension Plans. For the International and globally mobile employee, it gives them a flexible, multi-national and portable pension plan. For the corporate, it gives them the ability to offer such employees a flexible pension plan, which caters to their retirement objectives whilst overseas, regardless of location. They are particularly useful in geographical areas, such as the emerging markets, where there is a lack of pension legislation or the choice of pension plans are limited.

The rules can be tailored and so are highly flexible, and may be customised to mirror existing company policies or other established stand alone schemes. As the assets are held in a fiduciary capacity they also offer attractive succession planning benefits for the individual and off balance sheet segregation of assets for the corporate.

The assets in the plan grow free of taxation apart from withholding taxes. Plan proceeds are paid gross and are not liable to Guernsey tax, unless a resident of Guernsey.

#### Pan-European Pension Plans

The Pan-European Pension Plan is an occupational employer sponsored pension scheme aimed primarily at those employed within the Europe Union (EU) sometimes referred to as a 'cross-border scheme'. It is an occupational pension plan which falls within the classification of the IORP.

The scheme will be designed to provide retirement benefits for employees, across the European Union under one master plan established in the Home Country. For each Host Country admitted, a separate sub scheme would be established which would be required to comply with local pension and tax laws, as defined in separate rules for that sub scheme. With the harmonisation and the freedom of movement across Europe, a central Pan-European Pension Plan provides many synergies for the corporate employer within a single master trust.

## Section 615(6) International Pension Plans

This is a corporate pension plan designed for employees of UK companies, or a UK subsidiary within an International group, who have long-term assignments based outside the UK. The plans in Guernsey are established under Section 40(o) of Guernsey Income Tax law, and where appropriate HMRC Pension Scheme Services then confirm that these plans satisfy the conditions of Section 615(6) of the Income and Corporation Taxes Act 1988.

For the employer, their contributions qualify for corporation tax deductions in the UK. The flexibility of the scheme also allows them to replicate their UK pension policies for their overseas-seconded employees which helps meet their retirement obligations to such employees.

For employees, they are able to rely on the fact that their employer will be contributing to a pension plan and that their overseas secondment won't be at the detriment of their retirement plans. Assets are not subject to the pension lifetime allowance, nor the annual allowance limits in the UK. The assets of the plan roll up gross, and are outside the scope of UK Inheritance Tax.

## Gratuity Reserve Schemes

End of Service Gratuities are a benefit paid by a corporate to International employees working in the Gulf Cooperation Council (GCC) area, upon leaving service and completion of a minimum term of service. This legislation was established to partially compensate expatriates for the absence of a trust pension scheme in the regions.

These quasi pension schemes are designed to allow companies to make an off balance sheet provision for their gratuity liability and to ring fence this from creditors in the event of the company's insolvency. The Gratuity Reserve Scheme assets are held in a fiduciary capacity and in a segregated account in Internationally recognised jurisdictions such as Guernsey, Channel Islands.

Employers are able to tailor the Gratuity Reserve Scheme to replicate the existing head office company pension policy for their employees in the GCC regions, subject to being compliant with the local labour laws, where relevant.

Employees benefit from a pension plan, which is segregated from the companies assets and ring fenced for their protection and future.

## QNUPS (Qualifying Non-UK Pension Schemes)

These were introduced through a change in legislation by the UK Government as recently as 2010. They are ideal for individuals and company executives that have maximised their UK pension limit, or who are looking to invest more than their annual allowance with the use of a supplementary pension plan.

As these are not UK registered pension schemes, different rules can apply to the investments held within the fund, and the terms of the drawdown. They provide a flexible pension structure that can supplement existing pension arrangements. Assets of the plan roll up gross, and are outside the scope of UK Inheritance Tax whilst offering succession-planning opportunities. QNUPS are suitable for company executives that are UK resident or non-resident, whether domiciled or non-domiciled who wish to provide further for their retirement.

## Key Message

One of the key messages to our clients is that Guernsey is a well-regulated and transparent leading international finance centre – a reputation which continues to be enhanced. In January 2011, the IMF published six evaluation reports that commended Guernsey's high standards of financial regulation, supervision and stability along with our robust criminal justice framework. Later that same month, the OECD's Global Forum built on the fact that we were among the first wave jurisdictions placed on its 'white list' (at the G20 summit in London, April 2009) by endorsing our continued commitment to tax transparency and exchange of information. In addition to this, an FSB report prepared for the G20 meeting in Cannes recognised Guernsey as being within the top tier of jurisdictions adopting international standards and thereby demonstrating strong commitment to financial stability.

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