

## THE PRAXIS QROPS (“the Scheme”)

### KEY FEATURES

#### REGULATORY COMPLIANCE

The Scheme is approved by the States of Guernsey Income Tax Authority (ref: 6R 011133) and by the UK’s HM Revenue & Customs (“HMRC”) as a Qualifying Recognised Overseas Pension Scheme (“QROPS”) (ref: QROPS 502261).

The Scheme Trustee, Praxis Trustees Limited, and the Scheme Administrators, Praxis Fiduciaries Limited, are regulated in Guernsey by the Guernsey Financial Services Commission in accordance with the Regulation of Fiduciary, Administration Business and Company Directors, etc (Bailiwick of Guernsey) Law, 2000.

#### ELIGIBILITY FOR PARTICIPATION

Individuals who are aged 18 or over but under age 75 and who are:

- already residing outside of the UK (including those residing in Guernsey); or
- planning to imminently cease residing in the UK; or
- accepted by HMRC as being domiciled outside of the UK and who, by definition, are not intending to reside permanently in the UK

(Residents of Jersey are excluded from participating in the Scheme)

#### ADVANTAGES OF THE SCHEME

- Avoidance of the UK annuity implications
- Receipt of gross benefits for non-Guernsey resident members
- Flexible pension benefits
- Multi-currency options
- Portability
- Open architecture for investments
- Totally transparent fee structure

#### TAX BENEFITS

There is no deduction of tax at source for non-Guernsey members although taxation will apply in accordance with the legislation governing the QROPS scheme member’s country of residence and in accordance with time elapsed since the member became non-UK resident.

#### PENSION TRANSFERS IN

Initial transfer value is subject to a minimum of £100,000 (or currency equivalent).

Additional contributions are subject to a minimum of £20,000 (or currency equivalent) per addition.

There is no restriction on the maximum amount that can be accumulated within the Scheme (although there may be tax consequences for the individual where transfers from UK schemes exceed the individual’s Lifetime Allowance (£1.75 million 2009/2010), unless protection of existing rights at 5 April 2006 has been claimed).

#### INVESTMENT

The Scheme operates completely independently of all investment managers. The Trustee is not tied to any investment manager or bank and is at liberty to select any investment management house to manage the underlying portfolio. If the member has no specific investment manager to nominate to the Trustee, then the Trustee can arrange for several investment management houses to submit presentations for consideration by the Trustee.

#### LOANS

During the initial 5-year period of non-UK residency by the member, the ability for the member to receive loans from the Scheme will reflect the position regarding loans under UK pension rules and legislation.

After the full 5-year period of non-UK residency has been completed by the member, it is possible for the member (or any other person having a

contingent interest in the Scheme) to borrow up to an aggregate of 25% of the value of the member's fund, subject to commercial terms regarding security and rates of interest to be approved by the Trustee. Any loans must be repaid before benefits are paid.

### COMMISSIONS

Any commissions or retrocession payments from any investment manager or bank with whom the fund's cash reserves are placed will be fully reimbursed to the member's fund.

### TAKING PENSION BENEFITS

Unless the member has a specialised occupation permitting pension benefits to be paid earlier than aged 50 years, pension benefits can be taken at any time from the member's 50<sup>th</sup> birthday\* and must commence before the member's 75<sup>th</sup> birthday.

\* to be increased to age 55 years from 6 April 2010.

### FLEXIBLE PENSION BENEFITS

There is no requirement for the Trustee to purchase an annuity (although it is possible to do so). Under a UK scheme a possible tax charge of 82% is payable upon death of the member if an annuity is not taken by the age of 75.

The Scheme provides that a member may receive a gross lump sum payment of 25% of the fund value in the case of a Guernsey resident member and 30% of the fund value in the case of a non-Guernsey resident member. The fund balance may be used to:

- pay a Fund Annuity to the member from the pension fund calculated, in the case of a Guernsey resident member, in accordance with an actuarial or approved insurer's valuation. For a non-Guernsey resident member, the Fund Annuity will be calculated by reference to the UK Government Actuarial Department Tables ("GAD"); or
- make a regular income withdrawal from the member's fund of a minimum of 5% and a maximum of 120% of the GAD rate at the applicable date of drawdown; or

- at age 75 years, pay an alternatively secured pension ("ASP") at a rate of a minimum of 55% and a maximum of 90% of the GAD rate applicable at the date of drawdown; or
- purchase or provide a guaranteed annuity for a term certain; or
- purchase an insured annuity.

### TRANSFERS OUT

The Trustee is able to transfer the member's pension fund to another scheme provided that the receiving scheme has QROPS approval itself or contains provisions in respect of benefits that are no more generous than those allowed under Section 157A of the Income Tax (Guernsey) Law 1975.

### NOMINATING INDIVIDUALS TO BENEFIT ON THE MEMBER'S DEATH

During his lifetime the member may amend his list of named Dependants or other nominated beneficiaries at any time in writing to the Trustee to reflect his changed circumstances or wishes and may also at any time specify in writing which of his named Dependants or other nominated beneficiaries are to receive death benefits.

### DEATH BENEFITS

Any benefits described below may be subject to UK tax dependent on whether a member has been non-UK resident for the full 5-year period immediately before his death and the tax position of the Dependants or other nominated beneficiaries who receive benefit. For example, if the member has not been non-UK resident for 5 years prior to the date of his death, the definition of "Dependants" under UK pension rules and regulations will apply (i.e. any spouse, civil partner, child under age 23 years and such other individuals specified under Sch 28 Part 2 paragraph 15 of The Finance Act 2004).

#### Pre-retirement

If the member is survived by one or more Dependants or other nominated beneficiaries, the Trustee shall either:

- provide an immediate cash sum (being the balance of the member's fund less allowable deductions) to the member's

Dependants or other nominated beneficiaries; or

- if the member had previously so elected, provide one or more of the member's Dependants or other nominated beneficiaries with a pension for life either by:
  - transferring the balance of the member's fund to an Approved Insurer to purchase an annuity; or
  - using the fund to secure an annual payment of an initial annual value of (and in terms no less reasonable than) an open market annuity that could have been purchased from an Approved Insurer.

If the member dies without being survived by one or more Dependants or other nominated beneficiaries, the Trustee shall transfer the balance of the member's fund to the member's legal personal representatives net of any tax due.

#### **Post-retirement**

**While taking income withdrawal the Trustee shall either:**

- pay a cash lump sum to Dependants or other nominated beneficiaries; or
- use the balance of the member's fund to purchase an insured annuity for the Dependants or other nominated beneficiaries.

**While receiving an ASP the Trustee shall:**

- apply the member's fund to provide an income for any one or more of the member's Dependants or other nominated beneficiaries.

The age of the Dependants or other nominated beneficiaries (before or after age 75 years) will determine how the member's fund is applied.

Before age 75 years the Trustee must:

- pay a Fund Annuity; or
- purchase an Insurance Annuity; or
- make regular income payments to any one or more of the Dependants or nominated beneficiaries.

After age 75 years, the Trustee must:

- pay a Fund Annuity; or

- purchase an Insurance Annuity; or
- pay an ASP to any one or more of the Dependants or other nominated beneficiaries.

#### **While receiving a Fund Annuity**

If the member is survived by one or more Dependants or other nominated beneficiaries and if the member had previously so elected, the Trustee shall apply the balance of the member's fund to provide a pension for life by way of an annuity for one or more of the Dependants or other nominated beneficiaries on terms at the discretion of the Trustee.

If the member is not survived by one or more Dependants or other nominated beneficiaries, the Trustee shall pay the balance of the member's fund to the member's legal personal representatives, net of any taxes due.

#### **While receiving an Insurance Annuity**

If the member is survived by one or more Dependants or other nominated beneficiaries and had previously so elected, the Trustee shall apply the balance of the fund remaining in the hands of the Approved Insurer to provide a pension for life by way of an annuity for one or more of the Dependants or other nominated beneficiaries.

If the member is not survived by one or more Dependants or other nominated beneficiaries and had previously so elected, the Trustee shall pay the balance of the fund remaining in the hands of the Approved Insurer to the member's legal personal representatives in the form of either a return of premium or by way of bonuses out of profits.

#### **ESTATE PLANNING**

The flexibility of the Scheme provides that a member may elect for dependants to benefit from his pension fund upon his death.

Where a member is non-Guernsey resident, death benefits would not be subject to any taxation in Guernsey and so would be received gross by the recipient beneficiaries. However, the beneficiaries may be subject to tax in respect of the payments in their own country of residence and should take appropriate tax advice.

On the death of all Guernsey resident members, death benefits will be subject to a Guernsey tax charge of 20% and the remaining fund can be distributed without any further tax deduction and

in accordance with the member's wishes. If all Guernsey resident members die before any benefits are drawn, the fund can be distributed to beneficiaries without any deduction of Guernsey tax.

For more information please contact:

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**IMPORTANT NOTICE**

Although the tax benefits relate to pension benefits for non-UK residents, residents are still subject to tax on capital and income in their country of residence, and it is important to seek advice from a tax professional in that country. If investments are denominated in a currency other than that of the country where you are resident, any returns may increase or decrease as a result of currency fluctuations.

If you become a UK resident again, and have been non resident for less than 5 years, the usual UK tax rules will apply.

Some jurisdictions do not recognise tax free cash, and if you are resident elsewhere there may be a liability on this sum. Please check before crystallising any benefits.

It is important that, before you transfer your pension, you are advised of the features and benefits of your existing scheme benefits. That is why we will not accept a transfer unless we are satisfied that you have received appropriate advice.

A transfer of a UK pension to a QROPS is a benefit crystallisation event. If the amount of the transfer is over the relevant lifetime allowance, a lifetime allowance charge will be levied, unless protection of existing rights at 5 April 2006 has been claimed. Should this apply, full details and the tax implications should be provided by your adviser.

**If your transfer value contains a Guaranteed Minimum Pension or Protected Rights, the**

**ceding scheme has to obtain additional confirmation on certain matters, and this includes advising you that you may not get the same degree of protection in the receiving scheme, and ensuring that you receive a statement of what benefits the transfer value will provide.**

All references to taxation are based on our understanding of current taxation law and practice as of the date of this document, and may be affected by future changes in legislation and the individual circumstances of the investor. In addition, the information provided is also based on our current understanding of the relevant Finance Acts. Pension investment values and income arising from them can fall as well as rise.

This information does not constitute advice and we do accept responsibility for its interpretation or any future changes to law.

This document has been reviewed and approved by Fundamental Asset Management Ltd, Langwood House, 63-81 High Street, Rickmansworth, Hertfordshire WD3 1EQ telephone number 0845 075 0133, a firm authorised and regulated by the Financial Services Authority, reference number 401123. The FSA's contact details are The North Colonnade, Canary Wharf, London E14 5HS telephone number 0845 606 1234.

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