

Live Pulse Webinar

Beneficiaries & Nominations

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「UK – COMMON LAW APPROACH」



WHY IS IT IMPORTANT TO PLAN CORRECTLY?

- Pensions can be treated very tax beneficially as they encourage people to provide for themselves in retirement, reducing the reliance on the state.
- In the UK, pensions are normally treated as being outside of the member's estate, there is no IHT payable.
- There are some straightforward rules to follow, to ensure that the use of pension planning can be optimised.

HMRC example:

Estate	£500,000
NRB	£325,000
Difference	£175,000
Tax @ 40%	£70,000

IHT levied at 40% on all assets above the nil rate band of £325,000

REALISTIC example:

Estate	£2,000,000
NRB	£325,000
Difference	£1,675,000
Tax @ 40%	£670,000

IHT levied at 40% on all assets above the nil rate band of £325,000



UK PENSIONS

- Death benefits are reportable by the pension Trustees to UK HMRC.
- The treatment of death benefits from UK pensions has changed from April 2015.
- As from April 2015, there is no tax charge payable on death benefits from UK pensions until after age 75.



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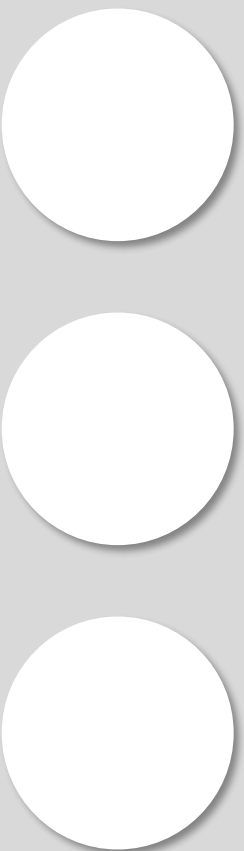


UK PENSIONS

- Lump sums or drawdown arising from death benefits may be taxable if the lump sum is taken or drawdown is entered into after 2 years of the notification of death to the scheme trustees.
- On death after age 75 the beneficiaries' will be taxed at their marginal rate on any benefits paid. Benefits can be passed to a dependants pension if required.

- The same death benefit treatment applies to QROPS members who are UK resident.
- Once a member of a QROPS has been non-UK resident for more than 10 years, there is no **UK tax** on death at any age, where the beneficiary is non-UK resident.

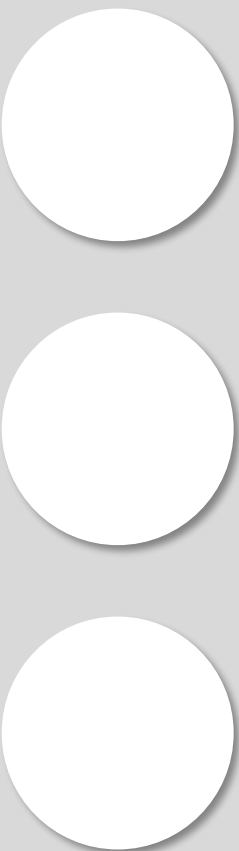




Qualifying Non-UK Pension Schemes (QNUPS) were defined in Statutory Instrument of the Inheritance Tax (Qualifying Non-UK Pension Schemes) Regulations 2010 [SI 2010/0051].

They are effective from April 2006 (known as A day) to coincide with the UK Pensions Act legislation.

QNUPS can provide significant benefits to an individual in the correct circumstances with significant ancillary attractions.



QNUPS is particularly attractive to an individual who can identify a shortfall in their pension provision and contingencies which may be required in their retirement years.

The use of a correctly implemented QNUPS will ensure the funds are outside of the scope of UK Inheritance Tax.

There is still income tax payable on death after age 75 where the beneficiary is UK resident.

BENEFICIARY NOMINATION

- Many pensions are written under discretionary trust.
- The trustees have discretion, the member cannot make absolute wishes.
- That is why providers use a Beneficiary Nomination/ Expression of Wishes.
- In practice, the trustees will follow member wishes.



BENEFICIARY NOMINATION

- Beneficiary nomination will normally avoid probate.
- If no beneficiary is nominated or the beneficiaries predecease the member the trustees will revert to probate and the wishes expressed in the clients will.
- Most pension schemes will have a box on the application form to nominate a beneficiary.
- They will also have a form to complete to change beneficiaries.



ISIPP Nomination/Expression of Wish



ISIPP Nomination/Expression of Wish

In the event of your death, any remaining benefits held in respect of your membership of The Novia Global International SIPP will be settled at the discretion of the Scheme Administrator (Novia Financial plc) in accordance with the rules of The Novia Financial International SIPP.

Please use this form to nominate (or to amend a previous nomination of) the individuals and/or entities to whom you would like the Scheme Administrator to consider paying any death benefits that may arise.

In the event of your death, the Scheme Administrator will contact those who are to receive death benefits and offer the payment options that are available at the time the payment is due to be made, in line with prevailing legislation, The International SIPP scheme rules and Terms and Conditions.

Once completed, please send this form to Novia Global Client Services, Cambridge House, Henry Street, Bath, BA1 1JS

PLEASE COMPLETE THIS FORM IN CAPITALS USING BLACK INK.

1 Client Details

Name of Client	<input type="text"/>	Date of birth	<input type="text"/>
Novia Client number (if known)	<input type="text"/>	SIPP number (if known)	<input type="text"/>

2 Client Wishes

Name	<input type="text"/>	Name	<input type="text"/>
Allocation	<input type="text"/> %	Allocation	<input type="text"/> %
Date of birth	<input type="text"/>	Date of birth	<input type="text"/>
Relationship to Client	<input type="text"/>	Relationship to Client	<input type="text"/>
Address (including post code)	<input type="text"/>	Address (including post code)	<input type="text"/>

Name	<input type="text"/>	Name	<input type="text"/>
Allocation	<input type="text"/> %	Allocation	<input type="text"/> %
Date of birth	<input type="text"/>	Date of birth	<input type="text"/>
Relationship to Client	<input type="text"/>	Relationship to Client	<input type="text"/>
Address (including post code)	<input type="text"/>	Address (including post code)	<input type="text"/>

3 Further Information

If you would like to provide more information, please use the space provided below. For example, you may wish to name individuals you would like the Scheme Administrator to consider in the event that the beneficiaries nominated in Section 2 predecease you.

Please ensure a percentage, date of birth, relationship and address are included for each person named.

4 Charity Nomination

Depending on the benefits you hold and the prevailing legislation, it may be possible to have a lump sum death benefit paid to a registered charity instead of to individual beneficiaries. Use this section if you would like to nominate a charity to receive death benefits.

Name of Registered Charity	<input type="text"/>	Name of Registered Charity	<input type="text"/>
Allocation	<input type="text"/> %	Allocation	<input type="text"/> %
Registered Charity Number	<input type="text"/>	Registered Charity Number	<input type="text"/>
Address	<input type="text"/>	Address	<input type="text"/>

5 Signature

I understand that the wishes expressed on this form will supersede any previous nominations made by me.

Name	<input type="text"/>
Signature	<input type="text"/>
Date	<input type="text"/>



PLANNING SEQUENCE

- Pensions are treated as being outside of a clients estate in the UK.
- Tax treatment on death can often be beneficial.
- Because of this and perhaps paradoxically, it maybe sensible for clients to use other forms of wealth to provide their income in retirement, leaving pensions to be passed on tax efficiently to their beneficiaries.



PLANNING SEQUENCE

- A general investment account (GIA) can benefit from tax deferral/gross roll up on the underlying assets on a buy and hold basis.
- Once savings have been accrued, an offshore portfolio bond can be used to provide tax efficient income in the UK through the tax deferred 5% annual withdrawals.

「EUROPE - CIVIL LAW APPROACH」



COMMON LAW CONCEPT = TAX THE ESTATE



- UK Inheritance tax does not tax the inheritor
- Taxes dead persons estate
- Testamentary freedom (nearly) if write Will
- Probate
- Value of assets – total debts
- Exempt assets: certain trusts, pensions (trusts)
- Distributed by Executors/Trustees ... After IHT paid

CIVIL LAW CONCEPT = TAX THE HEIRS/BENEFICIARIES

- Forced Heirship
- Products - contracts (preferred to trusts)
- Beneficiary Nomination clause (expression of wishes?)
- Tax applied to beneficiary on amount received
- NRB? - Applicable per beneficiary based on relationship to deceased
- So, in **France, Spain, Portugal** and **Italy**, key factor in Succession Tax is where the beneficiary is resident
- NB: in Spain, it varies by Region





FRANCE

- Trusts and Foundations are see-through!
- Option for **7.5% withholding tax** on 90% of capital payment.
- Pension from Foreign Sources
 - where a tax advantage during accumulation is proven
 - the pension is taken as one single lump sum payment

Where to reinvest?

- “*Assurance Vie*” = Life Assurance
- Full tax deferral, only growth taxed
- PFNL (flat rate) tax on withdrawals 12.8% + 17.2% social taxes = 30%.



Assurance Vie Succession Tax planning benefits:

- Subscribe before age 70
- “Beneficiary Nomination Clause” which can change (with no legal costs)
- Approx. 50% reduction for direct line: €152,500 @ nil tax and then max 31.25%
- v. GIA/Portfolio/some pensions – 45% for direct line beneficiaries

PORTUGAL

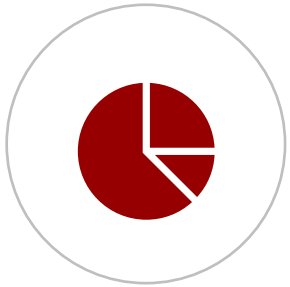


- No Succession or Gift taxes in Portugal
- Beneficiaries can pay 10% stamp duty
- Exemptions = Spouses, Descendants, Ascendents
- Some Personal Income Tax also potentially payable
- No PIT, nor 10% Stamp Duty, on final surrender (@death of the last life assured) of a Life Policy

SPAIN



- Confusion and complexity surrounding taxation of PENSIONS in Spain!
- “*Law of Obligatory Heirs*” = 50% Spouse, 16.66% to children (equally), 16.66% to children (based on Will), 16.66% Free Choice via Will
- Nat Gov IHT rates, progressive up to 35% (<€798k)
- Most Regions, Zero Rate for Spouse and Children <21
- Not *Andalucía*
- Insurance Policy = favourable inheritance tax treatment dependent on *the term set* and the region where beneficiary(ies) are resident.



The Key IHT Factors to consider for clients in EU jurisdictions

UK IHT, based on Domicile, has a long reach

CIVIL LAW:
IHT and Gift tax usually falls on the Beneficiary

Therefore, Residence of the beneficiary is key

UK trust structures, incl UK Pensions, may not be best vehicle

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Where local taxation information has been provided, this is based upon a generic understanding of the jurisdiction as a whole. Taxes may vary regionally due to local tax office interpretations, and tax rules may change on a regular basis.

This is only a guide and it is highly recommended that you seek local specialist tax advice. Pension trustees may require specialist tax advice



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