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TRUST & PENSION

A New Dawn for UK Expatriates

Consideration for QNUPS Post the UK Autumn Budget 2024

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FPI 2025 CPD APPROVED CONTINUOUS PROFESSIONAL DEVELOPMENT PROGRAMME

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1. What has changed?

2. The role of QNUPS & Trusts

3. Case studies?

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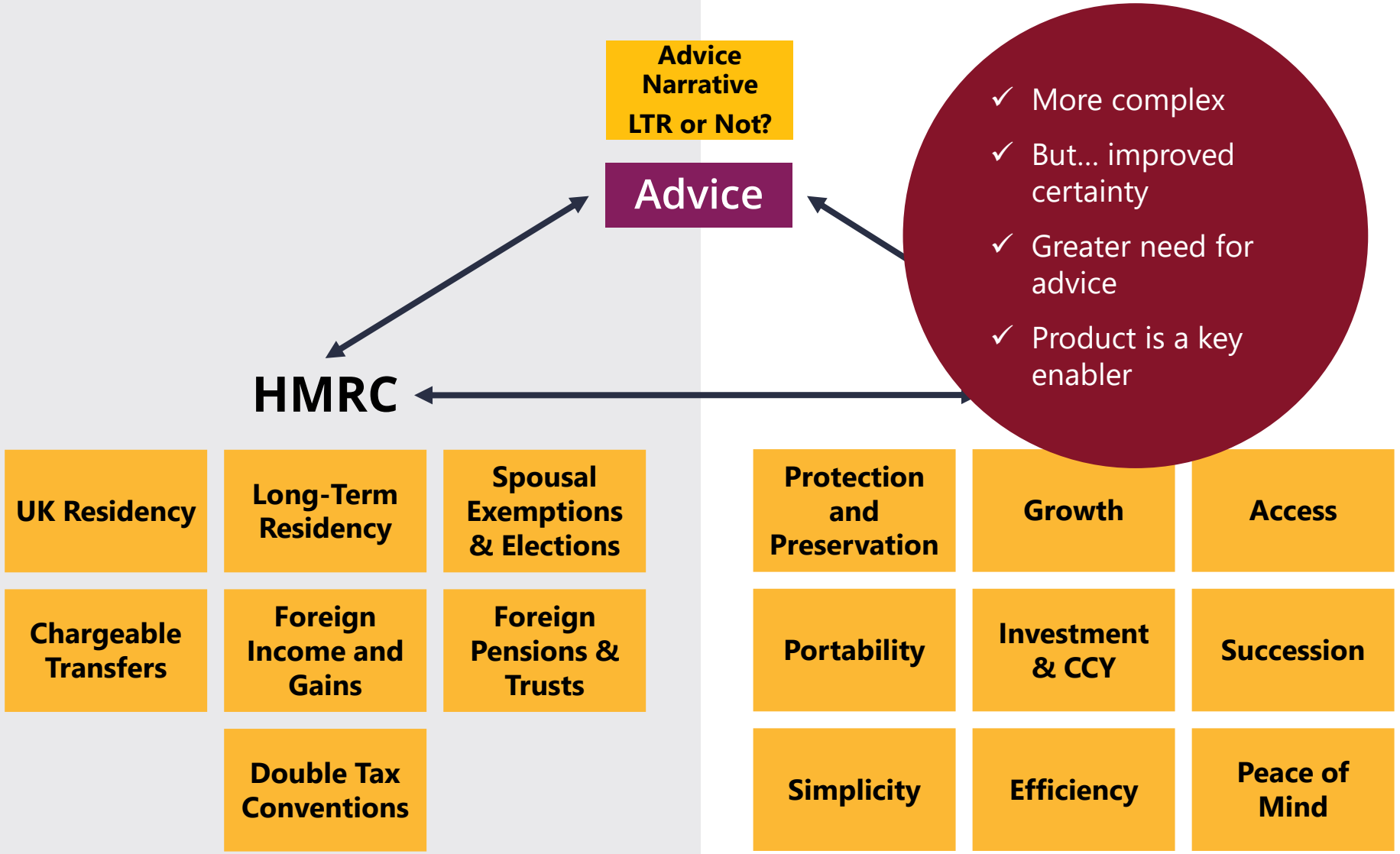
The Environment

Not all things change

What Has Changed?



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Technical

Key tax changes in the UK

UK Residency

The statutory residence test (SRT) for individuals has beer
effective since 6 April 2013. The test must be applied in a
strict order:

- An individual will be resident in the United Kingdom for
  tax year if they meet any of the **'automatic
  residence tests'**.
- If they don't meet any of the 'automatic residence
  do meet any of the **'automatic no resid
  tests'**, they will be non-UK resident fo
- If they do not meet any of the 'autom
  nor any of the 'automatic no residen
  'sufficient ties test' is applied
  residence status.

You spend 183 days or more in the UK in the tax year under consideration.

You have a home in the UK for a period of more than 90 days, and you are present in the home on at least 30 separate days.

Must have been UK resident to be assessed under LTR.

But UK residency does not mean you are LTR.

Moving to a residence-based system f

Long-term residence

147. *UK assets* will remain *in scope for IHT* on the same basis as at present, *reg*

149. *IHT* will *be charged on* non-UK assets owned outright when a person is *lo*

163. From 6 April 2025, *the test for whether non-UK assets are in scope for IHT* w
is a *long-term UK resident*.

They have *been resident in the UK for at least 10 out of the last 20 tax years immediate*
in which the chargeable event (including death) arises.

164. If an individual has *been UK resident for at least 10 out of 20 years* and *t*
does *not return to the UK before the chargeable event*, there will be provisio
they remain a long-term resident if they had been UK resident for betwe
20.

- For those who are resident between *10 and 13 years*, they will *rema*
- This will then increase by one tax year for each additional year of re
- So, if a person was resident for 15 out of 20 tax years on leaving
years; if resident for 17 out of 20 tax years on leaving, they would re

165. An individual will *not be treated as long-term resident for IHT* purp
consecutive years of non-residence, *even if they return to the UK*, and the
aligns with the *10 consecutive years of non-residence* required to access the 4-ye

166. The long-term residence *test applies regardless of an individual's common law domicile*

LTR Test…UK res in any 10 out of 20 years=UK IHT

…. not consecutive

BUT… requires 10 consecutive years as non res to be outside LTR

Non retuning expats get relief 10 to 13 in 20 then in scope for 3 years

Return to UK…4-year FIG relief where outside of LTR

Up to 10 years IHT free on non-UK assets

Spousal Exemptions & Elections

171. *Transfers between UK domiciled spouses or civil partners* are e
Where an individual is UK domiciled and their *spouse or civil partne*
domiciled, transfers of value are only *exempt up to* a limit equal t
rate band (£325,000).

174. From 6 April 2025, the election rules will be amend
civil partner of a long-term resident who is not themse
can elect to be treated as long-term resident. The electi
consecutive tax years of non-residence has elapsed.

175. After 6 April 2025, it will still be possible to make
covers a period prior to 6 April 2025. In this case, the
will be treated as deemed UK domiciled until 5 April 20
resident from 6 April 2025 until 10 consecutive tax years
elapsed.

Common law of domicile still has application

Transfers from a UK dom LTR to non-dom spouse - IHT on all assets

Transfers from a UK dom *non LTR* to non-dom spouse - IHT only on UK assets

Chargeable Lifetime Transfer

179. *IHT on an individual's estate* when they die is calcula
into account the values transferred by chargeable transfer
potentially exempt transfers which become chargeable
preceding years. A lifetime transfer of *excluded property*
of scope for IHT, regardless of whether the individual bec
term resident by the time of their death (at which point the
remaining non-UK assets are no longer excluded property).

Assets that were in scope for IHT when gifted remain in scope for 7 years

PET applies irrespective of LRT or not

180. Similarly, a *lifetime transfer* which did not cor
property at the time it was made will be *chargeal*
the transferor dies within 7 years, *regardless* of wh
individual is long-term resident or has ceased to be
by the time of their death.

Care on gifting UK situs assets when outside of LTR as its a PET

Registered Pension Funds, QNUPS & Offshore Trusts

1.9. From 6 April 2027 most *unused pension funds and de*
benefits will be *included* within the value of a person's esta
for Inheritance Tax purposes.

1.13. … the relevant changes will apply equall
registered schemes and QNUPS…

HMRC IHTM17072 … payments made in
scheme are generally not considered transfer
as such, do not constitute a chargeable lifetim

182. … assets comprised in a settlement will o
property (and so not subject to IHT charges) a
the settlor is not long-term resident.

185. if they were not long-term resident when they died t
non-UK settled assets will be excluded property.

Continue to play a critical role

Contributions are not chargeable transfers

No LTA

IHT Protection until
27

QNUPS outside of IHT where no longer LTR as non-UK situs

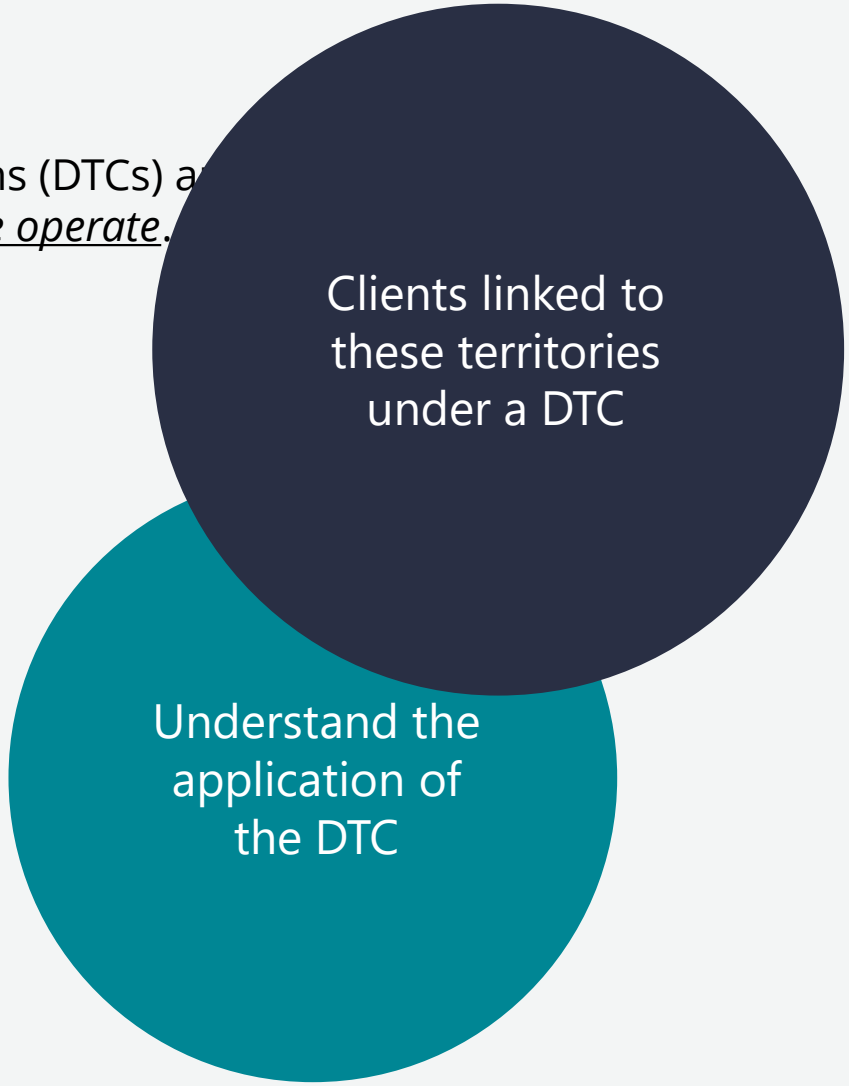
LTR, UK Dom with non dom spouse QNUPS subject to IHT (NRB)

Offshore trust on death for non LTR?

Double Taxation Conventions

158. The UK has 10 IHT Double Tax Conventions (DTCs) a
there are *no changes to the treaties or how these operate*.

- Ireland
- South Africa
- United States
- France
- Italy
- India
- Netherlands
- Sweden
- Switzerland
- Pakistan



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Product
Meet the Modern QNUPS

The QNUPS Evolution 100% IHT FREE....

But..????

The Typical QNUPS	The Modern QNUPS
30% PCLS	PCLS.... **Plus additional lump sums**
No further lump sums	No 70% rule
70% income for life based on GAD	True annuity options - residual capital remains in plan on death
Programmed withdrawal linked to annuity rates	Actuarially calculated
Drawdown linked to annuity rates	Designed to hold tax-relieved and discretionary funds
Limited ability to hold tax-relieved and discretionary funds	100% commutation
No 100% benefit options	FIG now available
Benefits taxed to income tax in UK	Jurisdictional compatibility
Death benefit nominations limited	Death benefit nominations broad i.e. offshore discretionary trust
IHT free (2027)	IHT free (2027)

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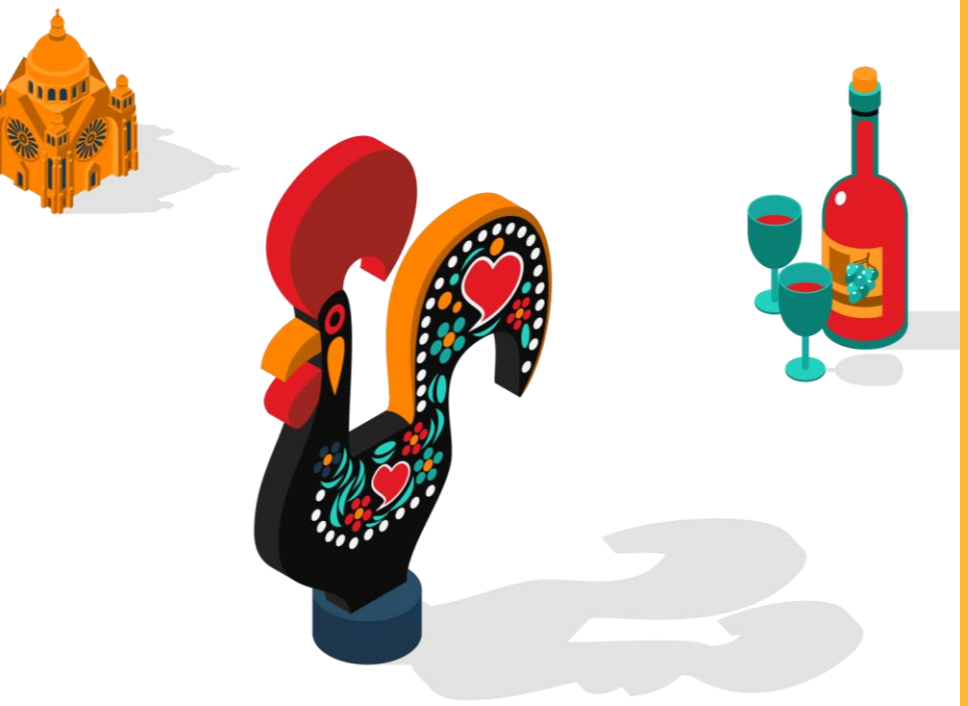
Planning Workshop

Meet your Client's Needs & Creatin Value



Case Study 1 - UK Expat Resident in Portugal

Client Profile and Summary

- 71 years-of-age, good health
- UK Domiciled
- Divorced, lives with partner who is non-UK and partially finally defendant on him
- Has one child in the UK
- Wants to make provision for both
- No Will in place
- 8 years resident outside of UK
- No intention to return to the UK even if ill

Current UK Position

- Long Term Resident (12 of last 20 in UK)
- UK IHT on worldwide assets
- Spousal transfers subject to IHT
- NRB unused but minimal relief
- No PETs made to date
- UK SIPP life expectancy of 87… death benefit taxed to income and IHT… 85%?

Assets & Liabilities

- Cash savings in UK £850K
- Offshore Life bond £450K
- UK Property £1.1K
- UK SIPP £720K*
- Nil rate band only £325K
- Liability to IHT on death today £830K

UK

- ✓ QNUPS IHT exempt until 5/2027
- ✓ Leaves 1 year of LTR (consider LTR election for spouse)
- ✓ Nil rate band freed up for child
- ✓ PLUS PET option is open – but 7 years
- ✓ Transfer of assets to QNUPS not a chargeable event
- ✓ Bond assigned & cash contributed
- ✓ Property on the market – caution UK res trap!

International

- ✓ Excellent asset protection
- ✓ Consolidation of wealth into neutral territory (Guernsey tax exempt)
- ✓ Wealth remains portable
- ✓ Seamless succession
- ✓ No probate or situs taxes (not UK situs)
- ✓ Simplified administration
- ✓ On death QNUPS pays death benefits into Trust for son and foreign pension for partner

Advice Outco QNUP Trus Combo

- ✓ All options remain open
- ✓ No lock ins
- ✓ 100% ability to restructure

- ✓ £520K IHT Saved Day1
- ✓ Succession in place
- ✓ Efficient income
- ✓ Simplicity
- Protection
- Maximised LTR

gains
✓ No death benefit
o loss of annuity capital on death
✓ Lumps sum available 100%*

Vastly enhanced position – Certainty, Significant Savings & Peace of Mind

Case Study 2 – UK Expat Resident in Spain

Client Profile and Summary

- 65 years-of-age in good health
- UK Domiciled
- Widowed but has a new partner who is from the UK and is financially independent
- Has two children in the UK for whom he wants to leave a legacy
- 14 years resident outside of UK
- Expects to return to UK if in ill health or at end of life

Current Position

- Not LTR – 6 of last 20 years res in the UK
- UK situs assets assessable for IHT @ 40%
- Children to inherit the house but over NRB
- UK taxpayer
- Has passive income but it is not efficient
- Not planning to gift to the kids
- Wants some of his wealth to go to his new partner on death e.g. £250K

Assets & Liabilities

- Cash savings in UK £625K
- Offshore share portfolio £750K
- UK Property £725K rented out
- ISA £250K*
- SIPP £650K
- Nil rate band only £325K
- Liability to IHT… £410K… but higher from 2027!

UK

- ✓ Remove liquid assets from UK to reduce IHT & maximise non LTR position
- ✓ QNUPS contributions for UK situs assets not a chargeable transfer and no LTA
- ✓ Cash and property proceeds in QNUPS held invested via a non personalised bond*
- ✓ Sell property and convent to non-UK asset.
- ✓ Ensures transfer of value from property to kids is out of scope
- ✓ PLUS Nil rate band freed up for future use if needed
- ✓ On return LTR test .... 10 years until IHT on foreign assets
- ✓ FIG for 4 years... PLUS 5% rule on bond
- ✓ Trust to benefit from QNUPS on death (non LTR settlor non UK assets)

International

- ✓ Consolidation of wealth into neutral territory (Guernsey) tax exempt
- ✓ Wealth remains portable
- ✓ Seamless succession to multiple beneficiaries
- ✓ No probate or situs taxes
- ✓ Simplified administration
- ✓ Excellent asset protection

Advice
Outcom
QNUPS
Trust Con

- ✓ All options remain open
- ✓ Fully adaptable
- ✓ No lock ins
- ✓ 100% ability to restructure

- ✓ £410K IHT Eliminated
- ✓ Efficient succession for kids
- ✓ Efficient income Spain & UK*
- ✓ Simplicity
- ✓ Maximized non res
- ✓ Well positioned if returning (FIG and IHT)

- ✓ Income in EURO
- ✓ Lump sums options remain
- ✓ No loss of annuity capital on death
- ✓ Inheritance tax only if recipient is Spanish resident
- ✓ Wealth tax dependant on economic right

Vastly enhanced position – Certainty, Significant Savings & Peace of Mind

Conclusion & Key Takeouts

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- Get Comfortable with the New Rules
- Consider your Advice Proposition
- Consider your client base
- Know the LTR test & Situs of assets
- Dom not Dead, Non-Dom Spouse, PETs, UK Residency
- No LTA on QNUPS & no LTC
- COPIA Drawdown Ideal Solution
- PCL with further Lump Sums
- Plus Annuities for Portugal & Spain
- No Loss of Capital, or Control of Assets
- Offshore Trusts are Back in Play

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Next Steps... arrange your workshop with us TODAY for

- ✓ COPIA Drawdown Product & Technical Training
- ✓ Case Studies
- ✓ Support Materials
- ✓ Marketing Insights
- ✓ Admin Support

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