

UPDATE – UK Budget 2014

Two further announcements have been made by the UK Government which impact both UK pensions and QROPS with further changes due to be implemented for 6 April 2015;

1. SIPPs will move closer to QROPS tax position on death.
 - a. On death prior to 75, the whole fund can be taken tax free whether before or after drawing cash and income and either as a lump sum or income.
 - b. After 75, the 55% lump sum tax rate has been replaced with an interim rate of 45%. The intention is industry consultation with an initial view that this will be taken away in 2016 and replaced with taxation at the beneficiaries' marginal rate of tax over any period of time. As an alternative to lump sum with tax, beneficiaries may draw the amount over multiple tax years at their marginal rate of tax.
2. QROPS will be allowed the Flexible drawdown option. We do not know yet how this will work in practice, but in theory could allow further pension access at significantly lower tax rates. Once HMRC has published full guidance, it would be up to trustees in each jurisdiction to establish what can be drawn under HMRC and their own jurisdictional rules.

More flexibility means more choices. UK and overseas pensions advice was complicated and has now become much more so and so it becomes even more essential that you deal with experts such as AIMS. SIPPs and QROPS should suit more people than they did before when compared to defined benefit schemes and annuities.

This is one of a series of ongoing briefings to keep you informed of important pensions and investment news which may affect you.

If you would like to discuss further, please contact Paul Wyatt who is based in Bangkok, Thailand.

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