

Take your pension on a permanent holiday

with a QROPS from STM Group



Reduce your exposure to UK income tax and Inheritance Tax
Add flexibility and control to your pension arrangements
Suitable for those living or planning to live overseas

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Introduction

STM Group - Providing tax-efficient pension solutions for your retirement

The **STM Group QROPS** team offers expert advice to clients who are planning to, or currently do, live overseas and are seeking the most tax-efficient way to maximise their private pensions.

If you have a UK private pension, there are considerable benefits of transferring it into a QROPS (*Qualifying Recognised Overseas Pension Scheme*). This guide provides you with the information you need to decide if a QROPS is right for you.

Our QROPS team has over 40 years' experience of managing personal pension schemes and providing pension solutions for expatriates and high net worth clients. As an independent, multi-jurisdictional administrator and trustee, STM Fidecs offers a unique and compelling choice for anyone thinking about retiring abroad.

If at any time you wish to speak to one of our pension specialists, you can contact us without obligation or charge and in total confidence. As a leading QROPS provider and as part of STM Group Plc, (a company listed on the London Stock Exchange), you are assured of our total commitment to service from our team of experts.

Why a QROPS?

If you are a non-UK resident or are planning to live abroad, there are potential disadvantages with a UK private pension. In the UK, pension benefits tend to die with the member and the fund cannot be passed to beneficiaries. If you are living outside of the UK and have a UK pension, you could still be paying tax at UK rates.

A QROPS pension scheme is an excellent option for people who are living or planning to reside overseas but who retain UK pension rights. QROPS offer excellent flexibility, significant taxation and investment advantages and the opportunity to pass on the pension fund to beneficiaries upon death.

What is a QROPS?

Since 2006, people with UK pensions who are, or will become, non-resident in the UK for tax purposes have been able to move their pension benefits out of the UK to a QROPS. This can prove highly advantageous.

The scheme must meet certain criteria set out by HM Revenue and Customs (*HMRC*) and act as if it were a UK scheme for QROPS members who have been resident in the UK at any time in the previous five tax years. If you have emigrated from the UK or you are about to do so, and you have transferable pension assets in the UK, then you may be eligible to use a QROPS.

We would recommend for your own peace of mind to only work with companies recognised by HMRC. A list of schemes approved by HMRC can be found at:

www.hmrc.gov.uk/pensionschemes/qrops.pdf

The STM schemes recognised by HMRC are as follows:

STM G.I.B Pension Transfer Plan - **Gibraltar**

STM Fidecs Centralised Group Pension Scheme - **Gibraltar**

STM Fidecs Group Pension Scheme - **Gibraltar**

STM Gibraltar Pension Transfer Plan - **Gibraltar**

STM Guernsey Retirement Plan - **Guernsey**

STM Malta Retirement Plan - **Malta**

Each jurisdiction has different characteristics, so it is important that you talk to an expert who can offer you a range of QROPS, so you can be confident you are choosing the one that suits you best.

Comparing a QROPS to a UK pension scheme

If you have savings in a UK pension scheme but are living or considering moving abroad, you may be wondering if a QROPS is right for you. The table below will give you an indication of the differences between a UK scheme and a pension transferred to a QROPS.

Question	UK Scheme	QROPS
How much can I withdraw as a lump sum from the pension?	Up to 25%	Up to 30%
Is my pension income taxed in the UK?	Yes	Schemes are available which suffer little, or no, UK income tax
Can I retire at 55?	Yes	Generally yes, although local rules may change
Is my pension affected by exchange rate fluctuations?	Yes, because most accounts are held in sterling	You can invest, and receive payments, in local currency, so exchange rates don't affect the scheme as much
Are there strict limits to what I can invest in?	Investment options are limited	No, you have a wide range of options to choose from (excluding residential property)
Can I pass on my scheme when I die?	No, you are usually unable to pass it on to your beneficiaries	Yes, you can nominate beneficiaries to receive the fund after your death
Is the fund taxed on death?	Any of the fund you are able to pass on will face taxes of up to 82%	There is normally no UK tax to pay

QROPS Benefits

A QROPS provides:

Greater control over where your pension fund is invested

Tax efficiency - you may be able to substantially reduce the tax that you would have to pay when accessing your pension, or on death

Inheritance benefits - you may be able to pass on your pension fund to your beneficiaries upon death

Freedom from UK IHT to align it to UK-registered schemes, following a new clause in the Inheritance Tax Act 1984

Simplicity, as numerous pensions can be consolidated in one QROPS

More chance to see your advisor face-to-face, as pension trustees or your scheme provider can be geographically closer to where you live

The possibility of helping your non-UK residency/domicile status with UK tax authorities, where necessary

A scheme that becomes subject to some of the laws of the relevant overseas jurisdiction for those who have been non-UK resident for at least five tax years. This is of major importance to many of our clients

No requirement to buy an annuity

Case Study

David is 65 years old and intends to move to the United Arab Emirates to enjoy his retirement. His main objectives for his pension are to take withdrawals in the most tax efficient manner, and to leave any surplus funds on death to his children. David currently has a small self-administered scheme in the UK from which he is receiving an income. This income is currently being taxed in the UK at the highest rate of 50%. This will continue following his move as UAE does not have a double tax treaty with the UK, so tax will continue to be deducted at source. Upon death there would also be a recovery charge of 55%.

A transfer to a Gibraltar QROPS enables him to receive the income gross. There is no tax on overseas pension income in UAE, providing an income tax saving of 50%. After five complete tax years of being non-UK resident, and in the likely event that David remains UK-domiciled, the fund can be distributed tax-free.

How a QROPS can help provide for future generations

In the UK, it is normal for annuities to end when the pension holder dies. This means that loved ones are unable to benefit from a potential lifetime of payments made by the pension holder.

With a QROPS, there is no need to purchase an annuity. As a result, the fund won't disappear upon death and your fund can be passed on to your loved ones.

Is my QROPS subject to Inheritance Tax?

QROPS are not normally subject to Inheritance Tax. It is important to seek tax advice about

the country you live in so you understand the specific rules.

When you die, your pension fund should not be subject to UK Inheritance Tax for your beneficiaries.

In addition, transferring your pension to a QROPS enables you to nominate your beneficiaries when the QROPS is established. This generally helps speed up the process of passing on your inheritance.

Case Study

Colin is 54 years old and has lived in France for seven years. He has a substantial pension fund as well as other assets, which he wishes to pass to his children upon his death. Colin plans to start withdrawals from his pension at 55. As the French tax system is both highly complex and subject to regular change, it is prudent to have a QROPS in a jurisdiction which is both in the EU and which has a double tax treaty with France.

The initial pension lump sum will be taxable in France whether taken from a UK pension or a QROPS. Upon Colin's death a UK pension will be subject to a 55% recovery charge (once the lump sum has been taken). In addition all income taken will be fully taxable. A UK pension should not be subject to French Wealth Taxes, and investments within the pension should not be subject to tax.

If Colin had a Malta QROPS instead, benefits can be paid gross to his children when he dies. These benefits would be subject to French Inheritance Tax at a rate substantially lower than the UK pension recovery charge. Withdrawals, if treated as an annuity payment, may also only be partially taxable in France. A non-EU QROPS would be subject to French Wealth taxes, yet an EU QROPS is not.

As trusts are generally not recognised in France it may be prudent to use a French-compliant product as the underlying investment. This should ensure that the investments are not taxed on an annual basis. Alternatively it may be that a contract or foundation-based QROPS in the EU could be considered.

Why choose an STM Group QROPS?

STM Group is listed on the London Stock Exchange. We are independent of any other financial institution and do not provide investment advice or management. This means that our concern is solely for our clients, without conflict of interest, and allows you a free choice over who looks after your investments.

We employ over 150 people in our offices in Gibraltar, Jersey, Malta, Switzerland and Spain. Our size and range of services means we can offer a range of innovative products whilst providing our clients with a high level of service and confidentiality.

The STM QROPS team offer its expertise to clients like you who are intending to, or already do, live overseas and are seeking to maximise retirement benefits in the most tax-efficient way.

What makes an STM Group QROPS different?

With a range of HMRC-approved QROPS available either directly or by referral (e.g. Gibraltar, Malta, Guernsey, Switzerland, Isle of Man and Jersey), you can rest assured that we have the right QROPS for your needs. As an independent, multi-jurisdictional administrator and trustee, STM QROPS offer a unique and compelling choice for anyone thinking about retiring abroad.

Most QROPS providers are based in only one jurisdiction and are likely to recommend a QROPS which might not necessarily be the right choice for your circumstances.

At STM we don't believe that one size fits all. We think it's important to choose a QROPS provider that suits your individual circumstances. As a leading QROPS provider we will work with you or your financial advisor to tailor a solution to your personal needs.

Transparent Charges

No transfer or exit charges if your circumstances change

Free movement between STM schemes and jurisdictions

A wide range of tax-efficient pension solutions

Multi-jurisdictional options to suit your country of residence

Freedom of investment choice, putting you in control

In most cases, we will not charge you if you need to move the scheme to another jurisdiction (for tax, legislative reasons or personal reasons) at any time, unlike most QROPS providers.



The right place for your QROPS

With numerous jurisdictions to choose from, how do you know which is best for your QROPS?

You need to make sure your money is in a safe, well-regulated place, with a reputable provider. It's important that you also take into account things like income and inheritance taxes and lump sum restrictions in the local jurisdiction.

For ease of management, consider the time zone and accessibility to the provider's offices, too, which can greatly improve your scheme.

STM QROPS are HMRC-compliant schemes in jurisdictions including Malta, Guernsey and Gibraltar. With offices in Spain, Malta,

Gibraltar, Switzerland and Jersey it is easy to talk to an English-speaking advisor, in a similar time zone, whenever you would like to discuss your scheme.

We are established, independent and offer expert advice, to help you choose the right jurisdiction for your QROPS.

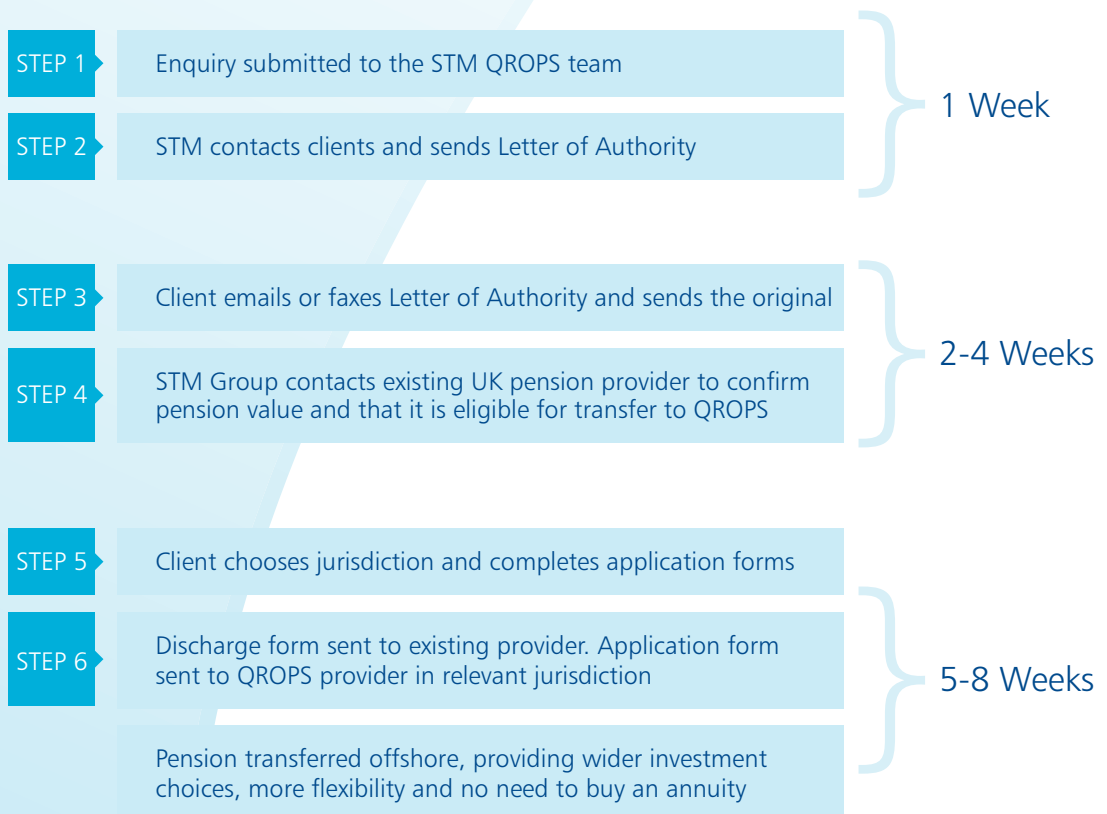
Case Study

Alan is a 65 year old expat and has been living in Spain for the past 10 years. Alan has not yet drawn on his pension. He has no children, and both he and his wife are not in the best of health. His main asset is his property but he is cash poor.

Alan has worked all his life and does not wish to spend the rest of his days with no income. A transfer to New Zealand allows Alan to draw down from his pension without the restriction of UK pension withdrawal limits. Alan has the option of taking 100% of the fund as a one-off cash payment, or taking annuity-type income over an accelerated period e.g. five years.

All withdrawals should be declared in Spain. Whilst technically this should all be subject to the general tax regime in Spain, it may be possible for annual withdrawals to be taxed as an annuity at rates close to 2%.

The QROPS Process



These times can vary, depending on the transferring of trustees and receiving timely information from existing scheme providers.

Frequently Asked Questions

The following are some of the most commonly-asked questions about QROPS. Please contact the STM QROPS team if you have a specific question you would like us to answer.

When were QROPS introduced?

QROPS came into being on pensions 'A' day, 6 April 2006, when the British government radically overhauled its pensions system. Since then, people with UK pensions who are, or will become, non-resident in the UK for tax purposes can move their pension benefits out of the UK to a QROPS.

Who can apply for a QROPS?

You can apply for a QROPS pension transfer if you are a UK non-resident between the ages of 18 and 75 (70 in Malta).

Can UK residents apply for QROPS?

Yes, providing you intend to leave the UK within the next 12 months.

Does my QROPS need to be held in the country I'm living in?

No, you can choose the best QROPS to suit your needs, wherever it may be held. You should choose the jurisdiction that is compatible with where you live to ensure proper regulation and easy maintenance.

Can I transfer my pension to an overseas scheme that isn't a QROPS?

No, this is not possible as the providers of the scheme in the UK will only transfer to those on the HMRC list.

Can I transfer assets other than cash?

We can accept almost any asset into our QROPS scheme, with the notable exception of residential property. There is no need to liquidate assets before transfer.

If I have bought an insurance company annuity, can I still transfer to a QROPS?

No, you must transfer to a QROPS before you buy an annuity. If you are taking a pension from the fund, you can still transfer it.

Once I transfer my pension into a QROPS, will I have to buy an annuity?

No, although if you want to do this you can. As you don't need to purchase an annuity, you are free to invest in other assets and have the advantage of being able to pass these assets to your dependants upon death. However, in certain circumstances buying an annuity may be tax advantageous.

Can I transfer my state pension into a QROPS?

No, QROPS is for private pension schemes only.

What will happen to my pension fund upon my death?

This will depend on your selection of whether you choose to purchase an annuity. If no annuity is purchased, any funds remaining upon your death will be left to those nominated by you as your beneficiaries.

How long will it take to transfer my pension to a QROPS?

There is no specific time frame for this. In our experience, most transfers take between four to eight weeks. This time period is dependent on receiving the information from you in a timely manner.

Can my QROPS fund purchase residential property?

No, UK transferred pension schemes can never be used to purchase residential property.

Can the fund purchase commercial property?

Yes, provided it is on an arm's length commercial basis.

From what age can I take benefits?

From age 55 and before 75 (70 in Malta).

Can I take a loan from the QROPS fund?

Yes, in certain jurisdictions this is possible (please let us know if this is a requirement).

Can I take 100% of the fund?

Normally 25% is available, but 100% is possible after five years in some jurisdictions (please let us know if this is a requirement).

How much income can I take?

Within the first five years, it will be based on UK annuity rates. After that there may be some variation depending on the jurisdiction.

What happens if the jurisdiction's pension rules differ from those in the UK?

The jurisdictions rules are combined with UK QROPS rules. Generally, whichever rules are more strict applied.

Can I put several UK pension schemes into one QROPS?

Yes, and we strongly advise that you do combine them into one QROPS, as this makes managing the scheme much easier for you.

How do I know if a scheme is a QROPS?

You can see a list of QROPS on the HMRC website www.hmrc.gov.uk/pensionschemes/qrops.pdf. All STM QROPS conform to HMRC regulations and are listed on their website.

Does it take longer for my beneficiaries to inherit a QROPS than a UK-based scheme?

No - the opposite is often true. Because you can nominate beneficiaries to your QROPS, the process is usually fast, so that your scheme is passed on quickly and easily to your family.

Are there any transfer or exit fees?

The STM QROPS is multi-jurisdictional, so if your circumstances change we will transfer your QROPS to the relevant jurisdiction free of charge. In addition there are no exit fees should you wish to move your QROPS away from STM Group.

If you have any further questions not covered by this guide, please feel free to contact us by e-mail or phone. Alternatively, you may wish to visit www.stm-qrops.com and complete the 'Contact us' form so that a member of our team can call you back at your convenience.

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About STM Group Plc

STM Group Plc is a leading financial services group operating in the international corporate and trustee service provider (CTSPs) sector. We have been listed on the London AIM since March 2007.

We now have offices in five jurisdictions; Gibraltar, Jersey, Switzerland, Spain and Malta. This international presence ensures the STM Group offers you the best range of products covering a multitude of jurisdictions.

Read more about STM Group Plc at www.stmgrouplc.com

About the STM QROPS team

The majority of our QROPS team are based in our Gibraltar office and form part of STM Fidecs, a wholly-owned subsidiary of STM Group Plc.

STM Fidecs has been in existence for over 20 years. The business operates principally from Gibraltar as a cross-border financial services provider. We specialise in financial planning for:

HNWIs moving to work, live or retire overseas or making cross-border investments

Entrepreneurial, predominantly owner-managed, businesses, expanding into, or re-locating to, other, frequently lower-tax jurisdictions.

We are one of the largest trust, pension and company (including insurance company) managers in Gibraltar.

Our aim is to be the advisor of choice for cross-border investors, entrepreneurs and expatriates on protecting and growing their investments. We do this through innovative and impartial financial solutions, explained in language that you understand.

Once we have found the best solution for you, we will implement it with the objective of developing a long-term professional relationship, based on mutual trust. Our skilled, trained and motivated staff subscribe to a "can do" philosophy, resulting in repeat and referred business from a wide portfolio of satisfied clients.

STM Fidecs, along with its sister subsidiaries of STM Group Plc. has a wide range of products and services that can be tailored to your individual needs, offering:

- Trustee Services
- Company Management Services
- International Pensions
- QROPS
- EFRBS
- Life Bonds and Insurance Wrappers
- International Tax Advisory Services
- Insurance Management Services

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