

s615(6)

The INTERNATIONAL RETIREMENT
BENEFIT SCHEME

“Section 615 Schemes

These schemes are not UK approved pension schemes, although they do have to be established for the sole purpose of providing superannuation benefits. They are established under irrevocable trust for non-resident employees by employers whose business is undertaken wholly or in part outside the UK. Benefits can be taken on retirement or leaving service at any age and wholly as a lump sum. Benefits paid from these schemes are not liable to UK tax when paid to non-UK residents and by concession, lump sums paid to UK residents are not chargeable.”

Simplifying the taxation of pensions: the Government's proposals, dated December 2003

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What is The s615(6) Trust?

The Trust allows United Kingdom Limited Companies to establish bona fide retirement benefit packages for employees who have duties outside the United Kingdom.

This Pension Scheme satisfies the criteria established by the Pension Scheme Office Overseas Schemes Section. Every scheme is submitted to, and accepted by, the Overseas Scheme Section, ensuring that the benefits will not subsequently be subject to challenge. This grants full pension scheme status to The Pension Trust, which is recognised internationally as a genuine pension arrangement.

It is because of The s615(6) Trust acceptance status that contributions are allowable against Corporation Tax in the United Kingdom.

The s615(6) Trust affords a wide range of underlying investments; policies of assurance, direct equity holdings, fixed interest securities, collective investment schemes, money funds, property and cash deposits.

What benefits does The s615(6) Trust offer?

The Trust offers the following unrivalled combination of benefits:

- Employer contributions are allowable against Corporation Tax in the UK.
- Generous contribution levels permitted by the Pension Scheme Office.
- Employee contributions are permissible.
- There is usually no tax liability to the employee.
- There are not usually any social security costs for the employer or employee.
- Individuals can select their own investment profile.
- Funds grow in a tax efficient, confidential environment.
- A minimum retirement age of 55, or earlier on leaving service.
- Pension rights may be taken entirely as a cash sum.
- 100% cash commutation by UK tax residents is tax free.
- Continuity of pension contributions despite international relocation.
- Fund administration may be conducted by a number of sources.

Most importantly of all, The s615(6) Trust allows individuals to control and manage their exposure to local taxation and social security on their total remuneration package.

Who is The s615(6) Trust for?

The Trust is for individuals of any nationality who are carrying out duties outside the United Kingdom for a UK company or associated company elsewhere in the world irrespective of domicile or residency.

Greater incidence of cross-border employment has caused an increasing number of individuals to face problems in funding comprehensively for their future. Short-term secondments, overseas contracting, even permanent international placements can all disrupt long term financial planning.

Overseas appointments are not always compensated by higher remuneration packages, contracts are usually short term and, as a result, often no thought is given by employers to the provision of employee benefits, including pension funding. Habitual expatriates are, therefore, potentially at a disadvantage to those who remain in their country of origin.

The majority of overseas appointments do not offer a panacea to tax problems; in fact these often result in exposure to a significantly higher combination of tax and social security charges, especially within the European Union.

Now expatriates have a unique opportunity to maintain continuity and to secure tax deductible investment contributions to a gross fund. The s615(6) Trust is the first such vehicle to offer this combination of advantages.

However, The s615(6) Trust is not only for expatriates but also for individuals resident in their own country – excepting UK and US residents. In the majority of cases this will secure desirable tax advantages for scheme members and the sponsoring employer.

There are, therefore, broadly four categories of people who can benefit from The s615(6) Trust. These are:

- 1** Any employee of a UK Limited Company whose duties are conducted wholly outside the UK.
- 2** Executives of multi-national employers of overseas parentage with a United Kingdom presence.
- 3** Self employed or contracting expatriates, of any nationality, who are working in any country other than the United Kingdom.
- 4** UK resident Executives of a UK Limited Company who conducts specific duties outside the UK amongst their other UK duties.

How does The s615(6) Trust work?

Trustees are the UK Company

The pension trust would generally be established in the name of the employing company, similar to an Individual Pension Arrangement in the UK for UK resident employees. The Company, as Trustees, control the investment funds but any distributions from The Trust, in the form of death in service or retirement benefits, may only be for scheme members, their families or other person nominated by the member. Alternatively, a corporate trust company can be appointed to act in the capacity of trustee.

The corporate control over The Trust assets through to retirement age is the means by which the majority of overseas Revenue Offices accept that the contributions do not form a benefit in kind. The member's interests are protected under the terms of The Trust as the assets may not be applied for the benefit of any third parties.

Payments made from a UK Company

Subject to certain basic criteria being satisfied, the UK employer will obtain a deduction for contributions made to a s615(6) Trust. The tax treatment will be equivalent to that for contributions made to an occupational pension scheme in the UK.

The Pensions Schemes Office will examine each case to ensure its requirements are fulfilled and issue confirmation of acceptance.

Payments made from a non-UK Company

A non-UK company may make contributions into a s615(6) Trust, but only providing the company is associated with the UK employer, i.e. common ownership between companies or a holding company/subsidiary relationship. The tax treatment of such contributions would be determined by the appropriate local tax authorities.

Trustee Administration Services

Advice on all aspects of The Trust is available from s615(6) Limited. This advice will cover permitted investments, appropriate financial services products, preparation of documentation, drafting of Announcement Letters, and technical advice on the structure of The Trust itself.

Flexibility on Investment Choice

The Trustees and member have the choice of investment strategy. This may range from property, direct equity holdings and Government or corporate fixed interest securities, to collective investment schemes and cash deposits.

There are some Revenue imposed restrictions on The Trustees' powers of investment; failure to observe these could prejudice acceptance or cause acceptance to be withdrawn. Continuing guidance is available from s615(6) Limited.

Maximum Retirement Age

Benefits must be taken no later than attaining age 75.

Minimum Retirement Age

The minimum retirement age under The s615(6) Trust is 55. Early retirement through ill health is not precluded.

On Leaving Service

There are two options on leaving service:

- 1** Leave the benefits in a paid up form in The Trust
- 2** Take the fund value as a cash sum at any time subject to having achieved the age of 21.

Maximum Contribution Test

The Pension Schemes Office applies generous funding of s615(6) schemes. For further details, contact s615(6) Limited on 01483 212591

Minimum Contributions

Minimum Contribution – £25,000 p.a. per member or £50,000 p.a. per scheme with an average of £10,000 per member.

Additional Single Premiums

One-off special contributions may be paid.

Individual Acceptance – clearance given to local Inspector of Taxes

s615(6) Limited will be responsible for packaging and submitting the initial Trust application to the Pension Schemes Office. s615(6) Limited will handle any queries through to acceptance ensuring the Company's local Inspector of Taxes receives notification of the acceptance.

International Status

The s615(6) Trust is a bona fide International Pension Scheme. As such, its acceptance by the Pension Schemes Office under the above procedures ensures recognition by many countries internationally. This makes The s615(6) Trust a suitable arrangement for individuals in their country of origin as well as expatriates of any nationality.

Premature Death

In the event of death prior to retirement the accrued benefits of a member, plus any additional death in service benefits as outlined above, will be distributed at the Trustees discretion. The member is encouraged to complete a "Beneficiary Nomination Form" which is considered by the trustees in the event of death. The discretionary nature of this arrangement means the accrued benefits in The Trust are outside of the member's estate and will not, therefore, be subject to Inheritance Tax.

What are my investment options?

The s615(6) Trust deed contains wide investment powers. This provides a large selection of assets from which a personalised portfolio can be structured. Acceptable assets include:

- cash deposits
- fixed interest securities
- direct equity investments
- collective investment schemes
- insurance policies

s615(6) Limited can provide a bespoke deed which extends the investment powers beyond the core asset classes highlighted above to include:

- property
- loans
- the power to borrow money

The responsibility for investment and custody of trust monies lies with the scheme trustees.

s615(6) Limited at no time handles trust monies.

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Frequently Asked Questions

Q Can a member of a s615(6) Trust also be a member of a UK registered pension scheme?

A Yes. The Inland Revenue permit an individual who is working overseas to remain in the UK pension of his employer for up to 10 years. This does not prohibit membership of a s615(6) Trust.

Q Can a UK tax resident be a member of a s615(6) Trust?

A Yes, but only in respect of overseas duties.

Q Why should an individual wish to become a member of a s615(6) Trust if he is already a member of a UK registered pension scheme?

A There are several very good reasons:

- A 100% of earnings cap applies to the UK scheme earnings, restricting the total benefits which may be payable. The s615(6) Trust is a tax efficient way of overcoming this problem.
- Extra benefits secured in the UK pension scheme by AVC contributions or salary sacrifice have to be taken substantially as a pension which would be taxed as income in the UK at the member's marginal rate. Similar contributions paid into a s615(6) Trust could be taken as a tax free lump sum payment in the UK.
- The UK scheme benefits may be satisfactory, but the overall remuneration package may be exposed to undesirable levels of local tax and social security payments for both employer and employee. A s615(6) Trust could be an ideal tool to mitigate such a problem where individuals have income surplus to living requirements and the employer would prefer to structure the package in a more cost effective way.
- Assets held in a s615(6) Trust which exceed retirement needs can remain outside of the individual's estate until age 75 and would not therefore be liable to Inheritance Tax until this age is reached. The s615(6) Trust could, therefore, also be used as a temporary estate planning tool.

Q Can the benefits be taken outside the UK?

A Yes. The taxation of lump sum benefits taken outside of the UK will be determined locally. This does not mean benefits will automatically be taxed. However, specialist advice would need to be taken.

Q Can a self employed individual become a member of a s615(6) Trust?

A No. However, creating a UK employment structure or joining an umbrella employment structure is a perfectly viable alternative to self employment for many. For company formation and umbrella administrative services contact s615(6) Limited.

What does The **s615(6)** Trust cost?

Trust Establishment Fee:

This will vary dependant upon the service required from the menu of options available.

Trust Administration Fee:

1% per annum of The Trust Assets by formal agreement with The Trustees. By arrangement this fee can be deducted at source from The Trust Assets.

Other **s615(6)** Limited Products

In addition to the Pension Scheme approved under s615(6), s615(6) Limited offer a range of Trusts to suit the varying needs of the expatriate and international investor. S615(6) Limited can offer a simple one stop solution with third country trusts such as Article 131A or 131C Jersey approved schemes or 40O or 40EE Guernsey approved schemes, QROPS or ROPS pension transfers.

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Checklist

- Trustees complete Trust Deed Application Form.
- Trustees complete a Member Form for each member.
- Each member completes a Beneficiary Nomination Form.
- Trustees complete Investment Application Form(s).
- Include cheque for Trust Establishment Fee drawn in favour of s615(6) Limited.
- Send completed package to s615(6) Limited.
- For each scheme member and company director, send evidence of identity in the form of a certified true copy of passport and proof of residential address in the form of a utility bill or bank statement less than 3 months old.
- Where the applicant is a company then a copy of the Certificate of Incorporation and Articles of Association, most recent 363s and evidence of identity in the form of a passport and residential address in the form of a utility bill or bank statement less than 3 months old for all Directors and Company Secretary.

For more information contact s615(6) Limited:

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