Swiss pension case study

Scenario

A UK domiciled individual has returned to the UK after working in Switzerland for a period of time. During this time both they and their employer contributed towards a Swiss pension scheme. There are certain requirements in Switzerland that once an individual leaves Switzerland an administrator can no longer hold the funds on the individual's behalf.

Potential concerns

During a move, this additional administrative burden as well as the potential unnecessary tax implications of transferring a pension can leave clients confused and concerned about their options. These implications could be:

- Income tax leakage on withdrawal of the pension when the individual may not have wanted to start drawing on the funds.
- Removal from an IHT efficient structure into a chargeable estate.

Where we can help

<u>Withdrawal of cash</u>

If the individual has cash needs, we can review the double tax treaty between the UK a Switzerland and consider whether the treaty provides protection from UK tax on the withdrawal of lump sums from the pension. This could provide tax efficient cash for an individual returning to the UK in purchasing a property or funding their income needs into retirement.

When taking this option clients must be aware there can still be Swiss tax on the withdrawal of the pension, and they should seek professional advice regarding the double tax treaty and necessary administrative steps in Switzerland.

<u>Transfer to another pension scheme</u>

Should the individual wish to retain the funds in an IHT friendly structure, such as a pension scheme and do not have the cash needs at this stage they can transfer the funds to another Qualifying Non-UK pension scheme (QNUPS).

One must take expert advice before entering into such a transfer to ensure they qualify for the transfer tax efficiently and the pension provide is providing a pension scheme that qualifies as HMRC set specific conditions on what qualifies as a QNUPS.

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