Key Differences between QROPS, SIPPs & DB Scheme

Scheme Type	Defined Contribution (DC) Pension (including SIPPS	Defined Benefit (DB) Pension	QROPS
Jurisdiction (s)	UK		Malta/Gibraltar/New Zealand/ Isle of Man (These are the main so-called "third party" jurisdictions where schemes are open to non-residents of the jurisdiction
Member Country of residence	Anywhere		
Earliest pension age	Generally 55, except on the grounds of ill health. Other exceptions relate to certain specific occupations (for example professional sports people) and where a "protected" earlier age applies		55, except on the grounds of ill health
Max PCLS	25% of fund value. There are some instances in relation to pre 6 April 2006 benefits from occupational DC schemes where the maximum PCLS can be greater.	25% of value of DB rights. There are some instances in relation to pre 6 April 2006 benefits where the maximum PCLS can be greater.	Up to 30% after age 55 (if member non UK resident for more than 5 UK tax years) otherwise 25%. New Zealand schemes can also take 100% of the investment growth following transfer in addition, if member non UK resident for more that % UK tax years
Trivial commutation and "small pots"	Up to three "small pension pots" valued at £10,000 or less may be taken in lump sum form at age 55 or later. 25% is tax-free. Tax may apply in the member's country of residence.	DB pensions with a capital value under £30,000 may be taken as a single lump sum at age 55 or later, 25% of which is free from UK tax. Tax may apply in the member's country of residence. Small pot rules also apply as under DC schemes.	There are no equivalent rules in schemes in Malta/ Gibraltar/ New Zealand/ Isla of Man (IOM).

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Maximum pension/ drawdown	Unlimited if scheme allows flexi access drawdown. Scheme may also allow uncrystallised funds pension lump sum (25% tax-free). Flexible access will trigger the £10,000 money purchase annual allowance where applicable. Member may purchase an annuity.	Scheme pension based on scheme rules. Flexible access can only be achieved by transferring to a DC scheme	Generally based on 150% of GAD drawdown rates, until UK legislation amended further. At least one Maltese scheme allows full flexible access. Flexible access will trigger the £10,000 money purchase annual allowance where applicable. Member may purchase an annuity.
Tax on members pension/ drawdown	Taxed as income in the UK, double taxation relief may be available typically allowing taxation in the member's country of residence.		Malta and IOM taxed as income but local tax may not apply depending on the terms of any double taxation treaty between Malta? IOM and the member's country of residence. Gibraltar 2.5% withholding tax. New Zealand – paid gross.
Uncrystallised funds – Death at age 75 or later.	Payment may be as a flexi-access drawdown fund lump sum death benefit taxed at 45%. Expected to be an income tax charge from 6 April 2016, based on the tax rate of the recipient. Or the fund can be designated to provide a flexi- access drawdown fund to a dependent or nominee. Pension benefit subject to UK income tax in the hands of the recipient. Treaty relief may apply.	Based on scheme rules. Typically a spouse's/ dependent's pension – taxed but treaty relief may be available.	Full fund distributed at trustee discretion. No tax. (Certain limitations may arise for New Zealand QROPS). Scheme may instead or as well provide dependent's pension. Tax as set out for member benefits.

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Crystallised funds – Death below age 75	Remaining fund can be passed free of UK tax to any beneficiary as a lump sum or as a flexi-access drawdown fund. If following the exercise of trustee discretion payment is made as a lump sum this is a “flexi-access drawdown fund lump sum death benefit”. If the fund is designated as a dependents or nominees flexi-access drawdown fund, it can provide an ongoing income for the dependent or nominee. Whether the fund is used to provide a lump sum or an income benefit it will be UK tax-free. The dependent or nominee can cash in all the flexi-access drawdown fund designated to them, also tax –free. Tax may apply in the member’s country of residence.	Based on scheme rules. Typically a spouse’s/ dependent’s pension– taxed but treaty relief may be available.	Full fund distributed at trustee discretion. No tax. (Certain limitations may arise for New Zealand QROPS). Scheme may instead or as well provide dependent’s pension. Tax as set out for member benefits.

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Cascading death benefits	If scheme permits flexible benefits then death of a dependent or nominee, a successor may be nominated to receive flexi-access drawdown pension or lump sum (following exercise of trustee discretion). If previous beneficiary under age 75 then UK tax free (but tax may apply in the recipient's country residence), otherwise taxed but treaty relief may be available.	Not available. Scheme rules will offer benefits only to spouse until death, and potentially to other dependents for a limited period	Not permitted generally but may be achieved through a trust as beneficiary.

<table>
<tr><th>Scheme Type</th><th>Defined Contribution (DC) Pension (including SIPPS</th><th>Defined Benefit (DB) Pension</th><th>QROPS</th></tr>
<tr><td>Returning to UK (within 5 tax years)</td><td>If not UK resident and then receives flexible drawdown, and not liable to tax under the terms of a double taxation agreement then:
a)If UK resident for at least 4 of the 7 tax years before the year of departure from the UK, and
b) Returns to the UK and becomes tax resident, and
c) There are fewer than 5 years between departure and return,

Then tax applies on the amount taken as flexible drawdown in the first year of being UK tax resident.
UK taxation in the year of resuming UK residence will only apply is the amount of relevant withdrawals during the temporary period of non-residence exceeds £100,000.</td><td>UK tax applies on pension income received.</td><td>UK tax applies on 90% of pension income received.
If not UK resident and then receives flexible drawdown, and not liable to tax under the terms of a double taxation agreement then:
a) If UK resident for at least 4 of the 7 tax years before the year of departure from the UK, and
b) Returns to the UK and becomes tax resident, and
c) There are fewer than 5 years between departure and return,
Then tax applies on the amount taken as flexible drawdown in the first year of being UK tax resident.
UK taxation in the year of resuming UK residence will only apply is the amount of relevant withdrawals during the temporary period of non-residence exceeds £100,000.</td></tr>
<tr><td>Returning to UK (after 5 years)</td><td colspan="2">UK tax applies on pension income received.</td><td>UK tax applies on90% of pension income received.</td></tr>
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Transfer out	Statutory right to transfer to another UK registered pension scheme. No statutory right to transfer to a QROPS although there may be a contractual right.	Statutory right to transfer to another UK registered pension scheme until one year before normal pension age under the scheme rules. No statutory right to transfer to a QROPS. Transfers out to a DC scheme exceeding £30,000 must be accompanied by a statement confirming that advice has been given by a suitably qualified FCA authorised adviser. No transfers to DC schemes Permitted from the unfunded public sector schemes	There is no statutory right to transfer out in Isle of Man and Gibraltar
Inheritance Tax	There are no inheritance tax implications, so long as death benefits when distributed as lump sum are subject to discretionary disposal by the scheme trustees.		

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Special Lump Sum Death Benefit charge	Only applies when a post crystallization lump sum death benefit is received before 6 April 2016. Thereafter at the rate of 45%		Only applies when a post crystallization lump sum death benefit is received before 6 April 2016, and where the member was UK resident for less than five complete and consecutive UK tax years. Thereafter at the rate of 45%
Income Calculation Formula	Gad rates apply to full fund		Gad rates apply only to the “Relevant Transfer Fund” and actuarial rates can be used on the excess fund