



International Pensions

Tax and governance

Employers' Club

—
2 May 2019



With you today



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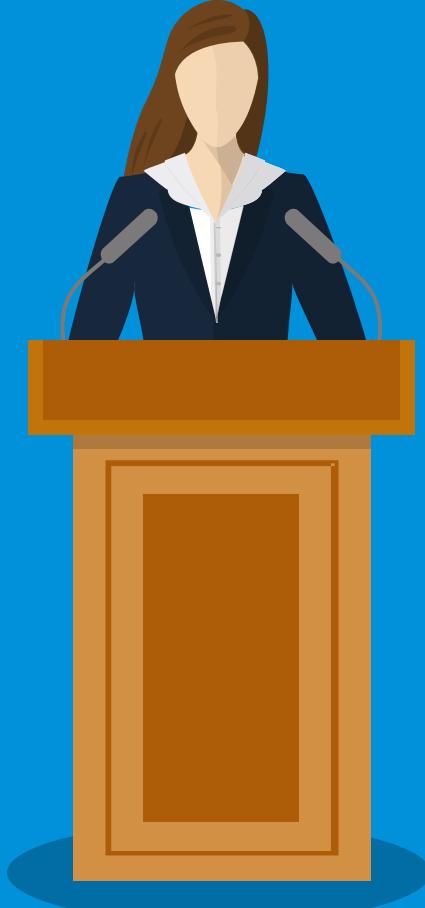


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Agenda



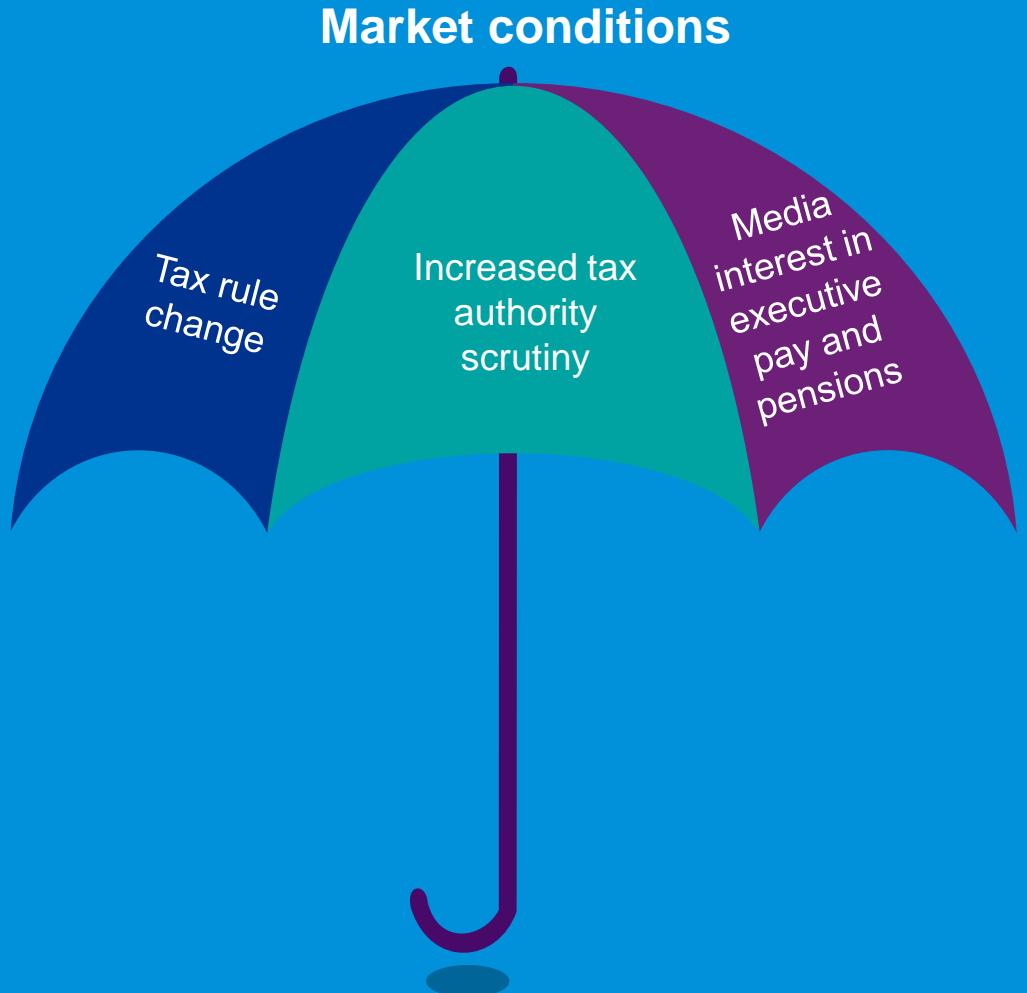
- 01 Cross-border pensions A circular icon containing the number '01' at the top, followed by a blue curved arrow pointing down to another circular icon containing the number '02'. To the right of these icons is the text 'Cross-border pensions' next to a white icon of a hand holding a small bag with a percentage sign (%) on it.
- 02 International Pension Plans A circular icon containing the number '02' at the top, followed by a blue curved arrow pointing down to another circular icon containing the number '03'. To the right of these icons is the text 'International Pension Plans' next to a white icon of three stylized human figures standing on a globe.
- 03 Annual Allowance calculator A circular icon containing the number '03' at the top, followed by a blue curved arrow pointing down to another circular icon containing the number '04'. To the right of these icons is the text 'Annual Allowance calculator' next to a white icon of a calculator.
- 04 Pensions and payroll A circular icon containing the number '04' at the top, followed by a blue curved arrow pointing down to the end of the list. To the right of this icon is the text 'Pensions and payroll' next to a white icon of two hands shaking.



Cross-border pensions



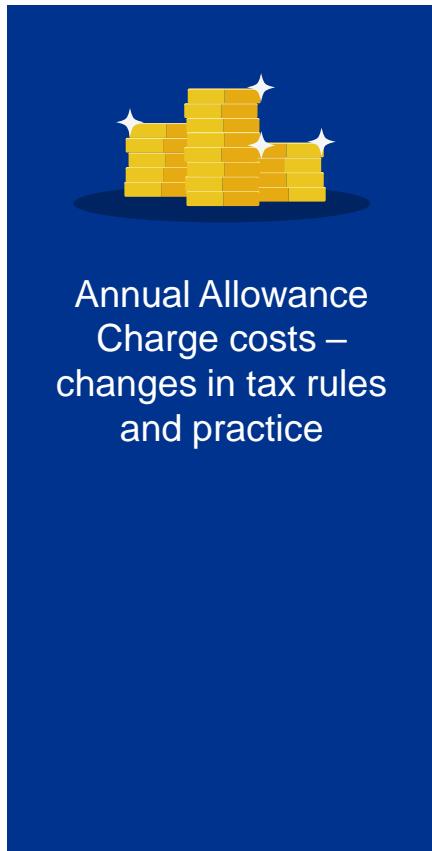
Why now?



Considerations – Pension plan provision for globally mobile employees?

	Cross-border tax/withholding
	Local mandatory requirements
	DC versus DB
	State provision
	Lack of locally robust pension system

Is your policy fit for purpose?



Annual Allowance
Charge costs –
changes in tax rules
and practice



Employee
communications



Monitoring/reviewing
equalisation policy
costs due to changes
in rules



Reviewing/establishing
international pensions
strategy and tax
governance



Home country/host
country plans and
transfers

Triggers for review of overseas pension plans

- ✓ Increased likelihood of annual allowance charges from 2019/20 UK tax year
- ✓ End of 'carry-forwards' buffer
- ✓ Impact for inbound executives who are higher income individuals – limited to £10,000 before charges
- ✓ Outbound executives remaining as active members of UK plan, annual allowance continues to apply
- ✓ Limited pension relief – but lifetime allowance/transfer charges and tracking required. Balance has shifted.



UK tax treatment of the plan: in some cases the UK tax relief can be automatic for employer contributions. An up-to-date review of overseas plans is recommended

UK tax relief on contributions	No UK tax relief on contributions
AA applies, meaning for higher income individuals contributions largely subject to changes	No AA changes, so no tax limits on the amount of contribution made
LTA normally applies	No LTA charges
Member Payment Charges apply (trailing charges on certain events)	No Member Payment charges
No PAYE on contributions	PAYE due on contributions

Hot topics



Foreign service relief

UK tax relief availability – key to identify when amounts accrued in the plan due to change in rules



Transfers

Often members want to consolidate pension savings or hold in a local currency after leaving the UK – beware of transfer charges



Non-UK domiciled individuals

Changes impact whether members able to claim remittance basis if they do not bring their overseas pensions benefits into the UK



Enhancement to Lifetime Allowance

For active members of UK plans while non-UK resident, if criteria met, a valuable boost to the UK Lifetime Allowance which would otherwise apply

Top up arrangements



Why



- Enhance pension offering where local pension provision subject to limits
- Equalise host country pension provision back to home country system

How



- Carried as a liability to future payments, on the balance sheet
- In some countries, may be backed by funded vehicle (e.g. trust) that steps in should the employer be unable to make payment at executives retirement



Issues



- Costs can accumulate, especially if offered more widely as annual allowance restrictions affect more of the population than before
- Updated tax, social security and payroll treatment at time promise is made and when distributions paid
- Tax rule change and increased tax authority scrutiny, reviews being undertaken to ensure employee communications and tax treatments are aligned



International Pension Plans



International Pension Plans (IPPs)

What are they?

- Legacy plans relating to periods of UK working
- New plans for internationally mobile executives or those working where no appropriate local pension provision



Legacy plans

- Multiple plans over time are likely
- Different UK tax treatments for distributions, risk of withholding failure for employer
- Is employer consent required before distributions?



New IPPs

- Flexible, savings plan/end of service approach, vesting/retention possible
- Globally consistent benefits policy
- Tax governance update or establishment is key



International Pension Plans (IPPs) (cont.)

Tax governance – Funding

- Review of tax treatment on funding plan
- Compare to position for UK tax relieved plans which are restricted by annual allowance of £10,000 for higher income individuals (plus lifetime allowance limits and other tracking requirements)



Tax governance – Distributions

- Managing withholding risks for employer – where the member worked and is retiring
- Treaty relief strategies
- Stakeholder management: employer, trustees and members
- Assessing and testing process and governance for tax treatment of distributions
- Member population ‘noise’ – communications
- Other issues: inheritance tax and UK source income





Annual allowance calculator



Annual allowance



What is your personal annual allowance?



The maximum amount you can save towards your pension each year without paying tax



Unused annual allowance from previous years may be carried forward



Applies to members of UK registered pension schemes and members of some overseas pension schemes working in the UK

How have the allowances changed?

Annual allowance

Tax year



2013-2014



2014-2016^(a)

Current treatment: Tapered annual allowance for high earners based on all income



2016-2020

Note: (a) 2015/2016 had more complex rules to determine the annual allowance.

Why is pensions tax an issue this year?

Higher earners are likely to have used up all their carry forward since tapering was first introduced

Employers are not able to identify an individual's annual allowance as they are not aware of the individual's other income



KPMG's solution - Online Annual Allowance modeller

The image displays two views of the KPMG AA Modeller web application. The left view is on a desktop monitor, and the right view is on a smartphone. Both screens show the 'Pension Details' section and the 'Estimated Annual Allowance limit' graph.

Pension Details:

- DB Schemes:**
 - Enter PIA or DB p.a.:
 - DB pension at start:
 - DB pension at end:
 - DB cash at start:
 - DB cash at end:
 - DB Employee contributions:
- DC Schemes:**
 - DC Employer contributions:
 - DC Employee contributions:

Estimated Annual Allowance limit

Total carry forward for 2019/20 based on inputs £0
Estimated 2019/20 annual allowance £30,000
Annual allowance (including carry forward) £30,000

These results are illustrative and approximate in nature. They rely wholly on the data input by you and on a number of simplifying assumptions which may not be appropriate to your circumstances.
If you believe you could be affected by the annual allowance you should seek independent financial advice.



Sign out

User guide

AA Modeller

The Annual Allowance (AA) Modeller is designed to provide you with an estimate of your position relative to the AA for the 2019/20 tax year. The results are illustrative and approximate in nature and should not be relied upon. For further information on the Annual Allowance, please click [here](#).

Pension

Employment Income

Please enter the details of your employment income which you have received, or expect to receive, over the 2019/20 tax year.

Click here to see where to find this information on your tax return.

Salary	150000	?
Bonus	10000	?
Commission	Commission	?
Private medical insurance	Private medical insurance	?
Taxable loans	Taxable loans	?
Share-based remuneration	Share-based remuneration	?

Benefits

Termination payments	Termination payments	?
Accommodation benefit	Accommodation benefit	?
Company car benefit	Company car benefit	?
Fuel benefit	Fuel benefit	?

Individual Income

Please enter the details of any individual income which you have received, or expect to receive over the 2019/20 tax year.

Click here to see where to find this information on your tax return.

Income from self-employment	Income from self-employment	?
Gross rental income	Gross rental income	?
Partnership income	Partnership income	?
Other income	Other income	?
Income from investments	Income from investments	?

Based on the inputs you have entered you would be subject to the tapered annual allowance. The graph on the next page shows the estimated annual allowance based on your total income.

Please click on the Pension button, above or below, to enter your pension details on the next page.

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[Sign out](#)

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AA Modeller

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[Income](#)

Pension Details

Please enter the detail of your pension benefits which you have built up, or expect to build up, over the 2019/20 tax year.

DB Schemes

Enter PIA or DB p.a.	<input type="radio"/> PIA	<input checked="" type="radio"/> DB p.a.
DB pension at start	30000	
DB pension at end	33000	
DB cash at start	DB cash at start	
DB cash at end	DB cash at end	
DB Employee contributions	DB Employee contributions	

DC Schemes

DC Employer contributions	DC Employer contributions	
DC Employee contributions	DC Employee contributions	

Estimated Annual Allowance limit

Total carry forward for 2019/20 based on inputs £0

Estimated 2019/20 annual allowance £16,760

Annual allowance (including carry forward) £16,760

These results are illustrative and approximate in nature. They rely wholly on the data input by you and on a number of simplifying assumptions which may not be appropriate to your circumstances.

If you believe you could be affected by the annual allowance you should seek independent financial advice.





Carry forward

2018/19 Carry forward - 2018/19 ?

2017/18 Carry forward - 2017/18 ?

2016/17 Carry forward - 2016/17 ?

Please tick if you are subject to the Money Purchase Annual Allowance (MPAA) ?

Estimated position against Annual Allowance

Effective PIA	Effective PIA	£36,480
£100,000	Annual Allowance	£16,760
£80,000	Carry Forward	£0
£60,000	Annual allowance including carry forward	£16,760
£40,000	Over AA	£19,720
£20,000		
£0		

Based on the inputs you have entered you would be expected to be above the Annual Allowance limit in this tax year and therefore subject to a tax charge.

The graph above highlights whether you are close to or above your estimated effective annual allowance.

These results are illustrative and approximate in nature and should not be relied upon. They rely wholly on the data input by you and on a number of simplifying assumptions which may not be appropriate to your circumstances.

If you believe you could be affected by the annual allowance it is recommended that you seek independent financial advice before taking any actions.



Pensions payroll



Why now?

New legislation from 6 April 2019



- Increase to pension auto-enrolment rates
- Payslip reporting

Increased regulatory landscape



- Increased scrutiny by tax authorities worldwide
- Greater public media interest in executive pay, together with increasing regulatory requirements for transparency

Increased enforcement activity



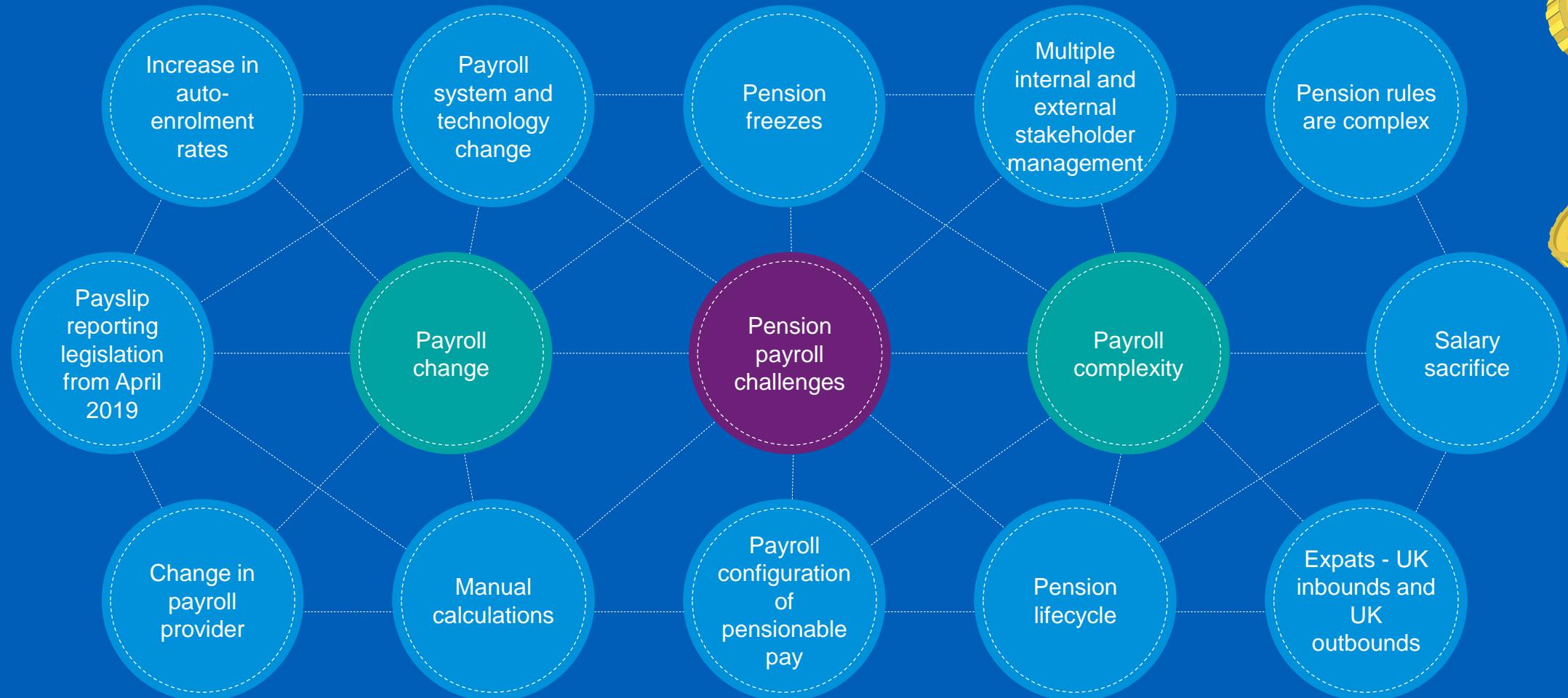
- Fines imposed on employers for auto-enrolment errors more than tripled to £42 million last year, up from £12.6 million in 2017 – *The Pensions Regulator*

Focus on data

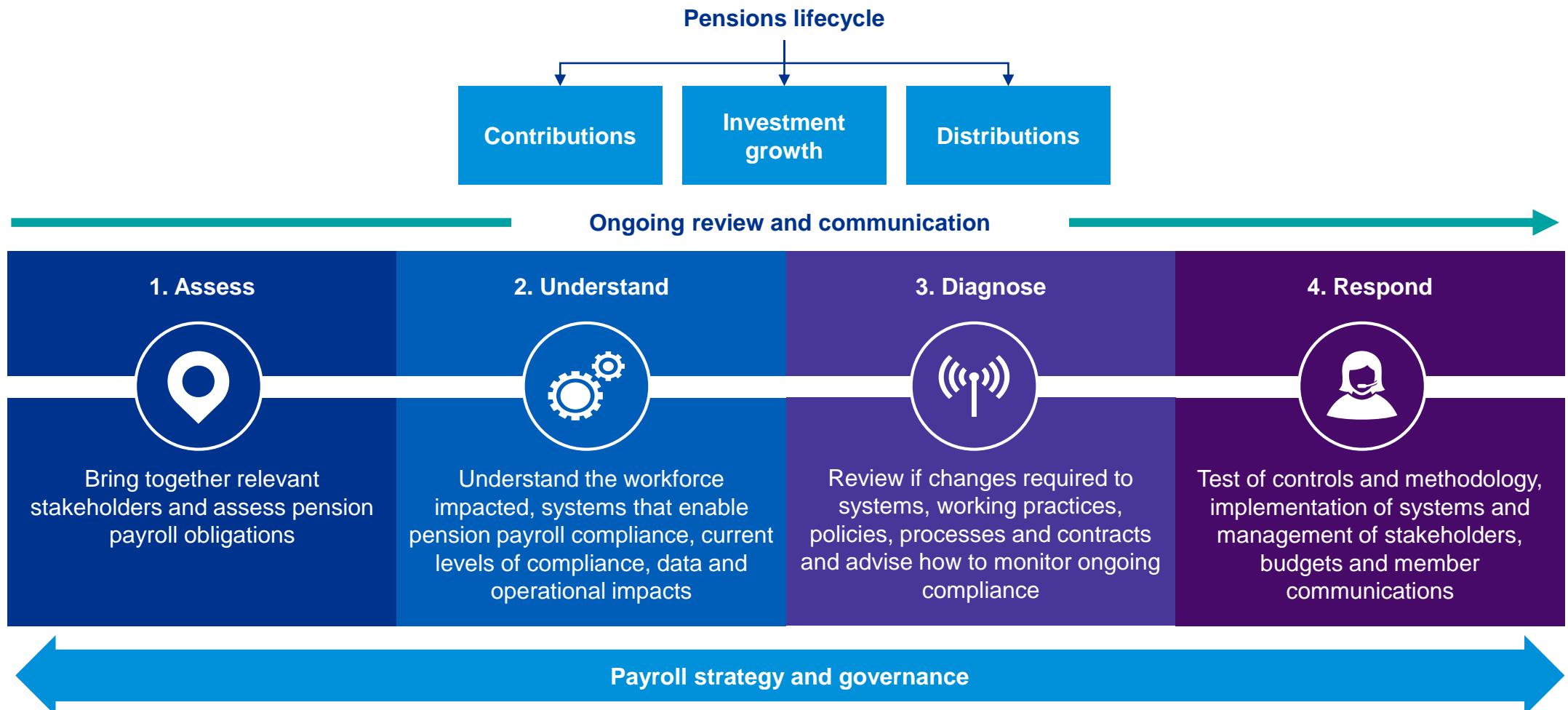


- Personal data sensitivities
- Employer data has a 50% error rate – *Pensionsync*

Current challenges facing employers



What is your pension payroll strategy?





Questions





Thank you





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