



Scott Clayton  
Director

Tel: + 44 (0) 20 3356 9763  
scott.clayton@  
bachmanngroup.com

# A PENSION WITH NO INVESTMENT RESTRICTIONS

Scott Clayton explains Employer Funded Retirement Benefit Schemes (EFRBS)

The changes to pension legislation implemented on 'A' Day in April 2006 introduced the distinction between registered and unregistered schemes where a distinction between approved and unapproved pension schemes had once existed.

Unregistered or unapproved pension arrangements in the UK essentially resulted from company requirements to 'top-up' executive or high earner pensions when the earnings cap for an approved pension had been reached. Employer Funded Retirement Schemes (EFRBS) are such a vehicle.

An EFRBS is an alternative arrangement to a UK registered scheme that is not subject to the rules that make UK registered pension schemes unattractive for high earners.

The 2009 Finance Act placed pension provision for those individuals earning in excess of £150,000 per annum firmly under the spotlight. The budget declared that from April 2010 the higher rate of income tax would be 50% for those earning in excess of £150,000. Since April 2009 special provisions have also applied to prevent those affected from 'loading' their pension contributions before tax relief for their pension contributions is tapered off in April 2011. Consequently, registered pension schemes have become unattractive.

It is a challenging situation and has forced many organisations to re-evaluate the pension options they

use, and to consider whether a more flexible arrangement is available to them. EFRBS provides one of these options.

Designed for those individuals who wish to accumulate benefits outside of the registered pension

*Contributions to these schemes are not subject to the Annual Allowance Charge.*

environment, an EFRBS is not subject to the pensions taxation regime set out in the UK Finance Act 2004 and offers tax efficiency and flexibility that is not necessarily available from other pension products.

Contributions to these schemes are not subject to the Annual Allowance Charge, tested against the members post 'A' Day Lifetime Allowance, nor is there a UK income tax liability for the EFRBS member. Whilst ultimately benefits drawn as income or as a lump sum from the EFRBS are subject to UK income tax, as employment income there are opportunities for EFRBS members to take loans which can be more tax efficient for many individuals. The employer can claim a deduction for corporation tax purposes when taxable benefits are drawn.

In addition to these favourable features, an offshore EFRBS also

enables any foreign income and gains to be accumulated free of UK taxation and offers possible benefits to those individuals intending to be a non UK resident in their retirement as benefits can be drawn in their chosen jurisdiction which may offer preferential levels of taxation.

Other benefits include:

- Flexibility of investments. Trustees of an EFRBS have full control of investments. Therefore, many of the restrictions on investments that are faced by registered pension schemes are not applicable.
- Preservation of wealth. As there is no requirement to purchase an insurance annuity and pension proceeds can be fully distributed to beneficiaries following death.

The EFRBS plans offered by the Bachmann Group are administered from the highly regulated and HMRC recognised jurisdiction of Guernsey and provide a flexible and tax efficient option for employers and employees to a UK registered scheme.

The creation of an EFRBS requires specialist advice and Bachmann Group is pleased to be able to work with a client's existing advisers or introduce an appropriate adviser from their network of contacts.