

CAPITAL CORPORATION RETIREMENT PLAN

GUIDE SPECIFIC TO UK PENSION TRANSFERS



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INTRODUCTION

HMRC permits the holders of UK pensions to transfer their funds to a non-UK pension that is recognised by HMRC as a Recognised Overseas Pension Scheme.

Certain rules apply, which is why a destination scheme has been called a *Qualifying* Recognised Overseas Pension Scheme (hence QROPS). These rules aim to provide pension members with a minimum level of protection and to ensure that the benefits received are broadly similar to those of the original UK scheme.

There are certain additional benefits that a QROPS transfer may provide members over and above those available from the original UK scheme. These advantages may relate to tax, investment freedom, or currency. Consequently, each transfer is carried out for different reasons, mostly related to the needs of the Member.

The legislation governing QROPS transfers was published in 2006. UK pension legislation has changed since then, so HMRC's interpretations of the rules have changed from time to time.

Generally speaking, once a transfer is made to a QROPS, no other contributions are permitted to that account. However, the non-vested structure and legal nature of the Capital Corporation Retirement Plan does permit additional contributions to separate accounts without impeding your QROPS benefits. This means that you can keep all of your overseas pension arrangements in one place, thus keeping costs low, and making pension your assets and estate more manageable.

This Guide contains information specific to your UK pension transfer. If you need information relating to making additional contributions from your current earned income, please speak to your Financial Advisor.

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CAPITAL CORPORATION RETIREMENT PLAN FOR YOUR UK PENSION TRANSFER

What is it?

The Capital Corporation Retirement Plan (CCRP) provides Members with a pension in their retirement.

Status

Capital Corporation Retirement Plan qualifies as a destination for your UK QROPS transfer and is listed by HMRC on its website. However, as HMRC makes quite clear, this list should not imply their approval of a scheme, so prospective members should conduct their own due diligence before proceeding with a transfer.

Capital Corporation Retirement Plan is a Hong Kong-based Registered Occupational Retirement Scheme established under Hong Kong's Occupational Retirement Scheme Ordinance, Cap 426 (ORSO), and is registered with the Mandatory Provident Fund Schemes Authority in Hong Kong

ORSO pensions are tax-recognised under Hong Kong's Inland Revenue Ordinance, Cap 112. They are also recognised to be genuine occupational retirement schemes by taxing authorities globally, including the HMRC and the US Internal Revenue Service (IRS).

The Trustee is Legacy Trust Company Limited, a Registered Trust Company in Hong Kong under the Trustee Ordinance, Cap 29.

Being a genuine occupational retirement Trust, the CCRP is included in each of the Double Taxation Agreements (DTAs) that Hong Kong has negotiated with its trading partners.

Capital Corporation Retirement Plan is based on a non-vested Trust.

The Scheme is FATCA compliant. Legacy Trust Company Limited is registered with the IRS under GIIN DPHQS2.99999.SL.344. There is no FATCA withholding.

Qualifying for Membership

As CCRP is an occupational retirement Trust, ordinarily you must be employed at the point you become a member and your employer must agree to sponsor you.

However, you do *not* need to be employed or sponsored by a company to transfer your UK pension to CCRP.

Principal Benefits

- ▶ Anyone working in any occupation and resident anywhere in the world may be a member of the Trust.
- ▶ There are no maximum or lifetime contribution limits.
- ▶ You may make additional contributions to a separate CCRP account at any time.
- ▶ There are no regulatory investment restrictions on the Capital Corporation Retirement Trust. CCRP may hold anything, anywhere, including physical assets such as residential property.
- ▶ As a non-vested pension Trust, HMRC Investment-Regulated pension investment restrictions do not apply
- ▶ There is no Capital Gains Tax in Hong Kong.
- ▶ There is no Capital Gains Tax levied on the disposal of assets in many other jurisdictions
- ▶ There is no Income Tax on CCRP pension distributions in Hong Kong.
- ▶ CCRP qualifies under Double Taxation Agreement pension articles as a Registered, tax-recognised pension.
- ▶ 28 out of the 33 DTAs which Hong Kong has negotiated with its trading partners provide for tax free income to retired residents of those countries.
- ▶ CCRP can be adapted to accommodate changing legislation elsewhere, so it can be adjusted to suit your retirement destination at any point during its lifetime.
- ▶ There is no minimum or maximum retirement age except as determined by HMRC under QROPS rules.
- ▶ CCRP facilitates multi-generational estate planning. It is based on a perpetual pension trust. There is no deemed disposition on death. It avoids the expense of international probate.
- ▶ 100% creditor protection. Neither a spouse nor a Revenue Authority may seize Trust assets. Creditors cannot access the funds even in event of your bankruptcy.
- ▶ CCRP is OECD-recognised, being regulated by Hong Kong's Mandatory Provident Fund Schemes Authority (MPFA).
- ▶ CCRP is FATCA compliant. The Trustee possesses a GIIN number issued by the US Internal Revenue Service. There is no FATCA withholding.
- ▶ Under Hong Kong's IGA Model 2 agreement with the US, the Trustee need only answer questions asked of it by its Regulator, and need not report automatically to the IRS.
- ▶ Our members achieve complete privacy by law in Hong Kong.

The Trustee acts for you. It will always want to know that its actions on your behalf are endorsed by you.

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HOW DOES THE CAPITAL CORPORATION RETIREMENT PLAN WORK?

HMRC Rules

Here are just some of HMRC rules as they currently apply to Capital Corporation Retirement Plan:

HMRC Rules	Capital Corporation Retirement Plan QROPS Transfer
Qualifying regime	Yes
Reporting Period	10 years
Normal Minimum Pension Age	55
Lifetime Contribution Limits	Maximum transfer free of tax: £1.25m, reducing to £1m in April 2016
Permissible Assets	Unrestricted HMRC not involved
IHT	Nil
Section 3 (3) claw back provisions (AKA Pension Death Tax)	Nil
Max Tax Free Lump Sum	25% of transferred value
Proportion of the fund which must generate an income for life	70%

Your Financial Advisor can advise you as to the latest rules applying to QROPS.

You are advised to seek financial advice before committing to a transfer.

Investments

Capital Corporation Retirement Plan permits direct investment into any investment located anywhere in the world, be they on shore or off shore property, mutual funds, stocks, bonds, or private company shares.

The Trustee has pre-approved certain custodians and dealing platforms. A list of pre-approved custodians and platforms is available upon request.

At the Trustee's sole discretion the Trustee may approve the use of additional platforms and investments if they pass Trustee Due Diligence, and the administrators fully understand the non-vested nature of the Trust and agree to meet the Trustee's minimum standards of disclosure and automated reporting.

Retirement Strategies

The Trustee does not provide investment advice. You should speak to your Financial Advisor regarding your tolerance for risk and which investment platforms and investments are best suited to you.

The value of your pension fund depends on the performance of the selected investment strategy.

Investment Advisor

We prefer that you appoint a Financial Advisor to guide you through the transfer process and to help you choose and manage the most appropriate retirement strategy.

This Financial Advisor can then advise the Trustee who executes the investment in Hong Kong as Principal.

Double Taxation Agreements

DTAs are important treaties. Among the many points they cover, they define which taxes are included and who is a resident and eligible for benefits; define the circumstances in which income of individuals resident in one country will be taxed in the other country, including salary, self-employment, pension, and other income; and provide for exemption of certain types of organizations or individuals. As they are inter-governmental agreements, they override local tax codes.

Because they have special social significance, properly Registered and tax-recognised occupational retirement schemes are included in DTAs, whereas discretionary trusts, insurance policies, stock broking accounts and so on, are not. Not even vested personal pensions are included in all DTAs.

At the time of publication, Hong Kong has agreed Double Taxation Agreements (DTAs) with 33 countries. 28 of these countries assign Hong Kong the right to tax Hong Kong-sourced pension income. Hong Kong does not apply Capital Gains Taxes or Incomes Taxes to our CCRP at any time.

This is unusual. Most DTAs (including the DTAs negotiated between tax havens and their partners) assign taxing rights on pension income to the country where the Member is resident. In such cases, the remaining practical advantage of a DTA lay in preventing competing claims between the two countries, thus reducing the potential for double taxation on your income.

If there is no DTA between the country of pension origin and your retirement destination then there is a real prospect of double taxation. However, where Hong Kong does not have a DTA

with your chosen retirement destination the question of double taxation does not arise. Hong Kong pension distributions are Income Tax exempt in Hong Kong. There will be no double taxation.

The 28 countries listed below have agreed that they will not tax Hong Kong pension income paid to their residents:

Austria, Belgium, Brunei, Canada, Czech, France, Guernsey, Hungary, Indonesia, Ireland, Jersey, Korea, Kuwait, Lichtenstein, Luxembourg, Malaysia, Malta, Mexico, Netherlands, Peoples Republic of China, Qatar, Republic of South Africa, Russia, Switzerland, Thailand, UAE, United Kingdom, and Vietnam.

If you do not live in one of the countries shown above then you should expect to pay the local Income Tax.

The list of countries entering into DTAs with Hong Kong is growing rapidly. The vast majority of Hong Kong's DTAs reflect the more modern style of agreement, which passes taxing rights to one party or the other, but not both.

You should note that tax treaties are occasionally updated. When you finally decide upon your retirement destination, you should speak to your Financial Advisor to find out what DTA is in place; what the latest provisions of it are; and how to best go about claiming your benefits under that DTA.

A full list of the current pension articles written into Hong Kong DTAs is available upon request.

Retirement

Under Hong Kong's ORSO there is no minimum or maximum retirement age.

Retirement benefits relating to non-QROPS related funds may be triggered by:

- Ceasing employment with your current sponsoring employer.
- Reaching your company-specific retirement age.
- Your employer and trustee agreeing early retirement.
- Serious ill health.

However, the QROPS element of your plan is subject to HMRC conditions. Your Financial Advisor can brief you on what these conditions are. For example, for QROPS the Normal Minimum Pension Age is 55 years.

Retirement Income

The QROPS element of your CCRP will be subject to conditions laid out by HMRC. No matter which jurisdiction you select for your QROPS, the maximum Pre-Commencement Lump Sum that may be taken without penalty is *25% of funds transferred*.

For the most up to date conditions, please speak to your Financial Advisor.

Death and Estate Planning

Because of its non-vested status and Hong Kong's perpetual Trust Laws, the CCRP can be used for effective multi-generational estate planning purposes.

As the CCRP's funds are non-vested, a Member's death does not affect asset ownership and there is no need for probate. Because there is no change to the Trust's status upon the Member's death, no Inheritance Tax is levied anywhere by anyone. The fund remains intact and becomes available to the next generation.

On a Member's death, the amount and timing of the payment of benefits is exclusively the decision of the Trustee who will have regard to the Member's wishes and also the situation of the Member's dependents.

The pension fund is not to pay the Member's creditors or the Member's family but is to have regard to the Member's wishes.

Had these global assets been owned directly by the Member, they would ordinarily be subject to probate in multiple locations, and attract Inheritance Tax.

CCRP will also avoid forced heirship should a Member reside in a country that has adopted the practice (i.e. Civil Law countries such as France, Germany, Spain and the Netherlands, and Sharia Law countries such as Saudi Arabia, UAE, Indonesia and Malaysia).

Creditor Protection

As a non-vested occupational retirement account, the Trustee owns the underlying assets and they receive the protection of the Hong Kong courts in event of creditor action. As the assets do not vest in the Member until retirement (if at all) they cannot be considered a part of the Member's estate.

Neither a spouse nor a tax authority may seize assets of the Trust. The funds are not available to any creditor, even in event of bankruptcy.

Precedent exists to prove how robust this creditor protection is.

How to Set Up Your Capital Corporation Retirement Plan

You should read and sign the *CCRP Scheme Particulars*, the *CCRP Fee Schedule* and any other forms provided to you by your Financial Advisor. In addition, you should carefully read any literature your Financial Advisor company gives you to describe the recommended underlying investment. Particular attention should be paid to the cost of cancelling the investment.

Because of Anti-Money Laundering and Counter Terrorist Financing legal requirements, we prefer you work with a Financial Advisor who can guide you through the process, confirm your status, and identify you as a legal person. If you do not have a Financial Advisor please contact us directly.

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USEFUL THINGS TO KNOW WHEN PLANNING YOUR QROPS

Occupational vs Personal Pensions

Occupational Retirement Schemes are legally different to personal pensions.

To become a Member of an Occupational Retirement Scheme your employer must ordinarily sponsor you, and once you are admitted to an Occupational Retirement Scheme your pension funds are afforded greater cross-border tax freedoms than are generally available to personal pension schemes.

However, you need not be currently employed in order to transfer your UK occupational pension scheme money to CCRP and receive these benefits.

Portability

Your CCRP is portable across borders. You may also transfer the Scheme from Hong Kong for a low fee.

Suitability and Durability

The HMRC online QROPS register is not HMRC's official endorsement of a QROPS. It is merely a self-certifying list of schemes that believe they qualify.

Because of that, you must be sure that your chosen QROPS pension fully meets HMRC's rules and will survive a future HMRC audit.

Our CCRP is based on Hong Kong's Occupational Retirement Schemes Ordinance, Cap 426 (ORSO).

Hong Kong has had the same pension legislation since 1993. Unlike other jurisdictions, Hong Kong has never sought to update or adapt its domestic legislation simply to qualify as a QROPS destination. For example, Hong Kong Occupational Retirement Schemes have always been available equally to residents and non-residents, a key requirement for QROPS recognition.

Hong Kong's ORSO and tax legislation makes it very clear that all Schemes are both occupational and tax recognised. From the very beginning then, the Hong Kong ORS regime has complied with the OECD definition of an occupational retirement scheme. It has always been recognised by HMRC as a Recognised Overseas Pension Scheme (ROPS).

The most recent changes to Hong Kong's Trust laws abolished the law against perpetual trusts.

Your Capital Corporation Retirement Plan funds may now continue after death, indefinitely, thereby aiding in estate planning.

Registered Trust Company or Fiduciary?

A Registered Trust Company is a public company. A Fiduciary may be an individual or a limited company. They must both abide by the same rules of the local Trust regime, but the Registered Trust Company is subject to more stringent corporate reporting. It must also meet certain capitalisation requirements. A Registered Trust Company is also granted wider permissions in law than a Fiduciary.

Hong Kong's Securities and Futures Ordinance and Occupational Retirement Schemes Ordinance both give specific recognition to a Registered Trust Company, and this means there is legal recognition of Legacy Trust Company Limited outside of Hong Kong as a Professional Investor.

Post-QROPS Transfer Contributions

Once you have transferred your UK pension, you may continue to make contributions to Capital Corporation Retirement Plan no matter where you live or work, either now or in the future.

If this is important to you, please speak to your Financial Advisor.

What Type of Investments Can I Use?

Hong Kong itself does not dictate or limit what asset may or may not be owned by a Hong Kong-based QROPS.

Nor does HMRC dictate what a QROPS may or may not invest into, although there are some HMRC-mandated rules that apply specifically to Investment-Regulated Pensions Schemes.

The following is a good example of the difference in investment restrictions between our CCRP and QROPS which are investment-Regulated Pension Schemes.

Owning UK Residential Property under Different Pension Regimes

Investment-regulated Pension Schemes (Vested QROPS)	Non-Investment-Regulated Pension Schemes (Non-vested QROPS, ie CCRP Hong Kong)
The use of QROPS funds to purchase a UK property is deemed an unauthorised payment and will suffer UK tax on the overall value of the unauthorized payment	The UK property purchase by CCRP is at the Trustee discretion and so is not considered an unauthorized investment. There is no tax on purchase, either in the UK or in Hong Kong
The gains at disposal are also subject to UK CGT	There is no CGT upon disposal either in the UK or in Hong Kong
Rules for Investment-Regulated pension Schemes can be found in Schedule 21 of the Finance Act 2006	

When deciding upon an investment strategy, it is therefore less a question of “Can I?” and more a question of “Is the asset appropriate?”

As you can see from the above example, neither Hong Kong nor HMRC restricts the right of an overseas non-vested retirement Trust to own UK residential property (rather than just shares in a fund). This means your Capital Corporation Retirement Plan can invest directly into UK residential property, too.

The same applies to Capital Corporation Retirement Plan investment into an onshore US stock broking portfolio; a portfolio of private bank structured product; and the shares of a fast growing UK-based private company—even your own business.

The investment choice is endless, the only limitation being how much your pension is worth, your appetite for risk, and what you are prepared to pay.

Whereas the Trustee does not provide investment advice it is open to recommendations. The Trustee will listen to your Financial Advisor and pay attention to your wishes and objectives.

The Trust is a non-vested trust and so—unlike vested Trusts where the Trustees are less engaged—all the investments decisions relating to CCRP must be approved by the Trustee unless the Trustee has appointed an Advisor to manage an account on a discretionary basis.

In such cases, the Discretionary Fund Manager may be subject to varying levels of investment restrictions and may be subject to regular audits of performance versus risk taken.

Laying Some Urban Myths to Rest

Common Misconceptions	The Facts
HMRC will permit a tax free lump sum at retirement of up to 30% without penalty	The maximum amount of tax free lump sum at retirement without penalty is 25%
All QROPS must follow HMRC Investment-Regulated Pension investment rules	HMRC investment rules for Investment-Regulated Pension are intended for vested pensions only as a matter of policy. They do not apply to non-vested, tax-recognised, occupational pension arrangements such as CCRP in Hong Kong
QROPS must follow GAD rules on drawdown	Not true. It depends solely on the rules of the Recognised Overseas Pension Scheme regime where the QROPS is hosted. CCRP QROPS drawdowns are not bound by GAD rules
I can take 100% of my QROPS as a lump sum because my Trust administrator and local laws allow it.	Of course you can. It will just cost you 45% in tax. Locals laws may permit it, but HMRC doesn't want you to take it.

Taxation

Reciprocity

Despite being very important, the taxation of your pension income in retirement shouldn't be your only consideration. Of equal importance is the tax treatment of your fund as it grows.

Because the pension industry plays such a positive social role, many OECD countries grant preferential tax treatment to the investment profits generated within domestic occupational pension funds. For example, recognised occupational pension funds rarely pay Capital Gains Tax on investment gains, no matter where they arise.

OCED countries (and others) also extend these local privileges to registered, tax-recognised foreign occupational retirement schemes that invest into their markets, so long as there is a measure of jurisdictional reciprocity. This reciprocity has the effect of giving your CCRP even more tax benefits than those granted by way of DTAs.

These tax privileges permit recognised foreign occupational retirement schemes such as the CCRP to buy and sell assets overseas without taxes applying to capital gains or the income received.

For example, CCRP may own UK residential property without paying UK Capital Gains Taxes on disposal.

This privilege is not available to vested personal pensions domiciled in such places as Malta, Gibraltar, Jersey, Guernsey or the Isle of Man, which must rely more on the tax status of the underlying investment structure (i.e. a mutual fund) for their cross-border tax benefits. The direct holding of overseas shares, bonds and property by such Trusts leave them liable to local tax on disposal, which is why these schemes rarely offer such options to their Members.

Benefit Comparison of Asset Ownership and Tax Advantages

	Pensions based in Malta, Gibraltar, Isle of Man, Jersey, Guernsey	Hong Kong Occupational Retirement Schemes
Nature of underlying Trust	Vested	Non-vested
Accepted for inclusion in DTAs where local taxing authorities insist on a pension being occupational, tax-recognised	No	Yes
May own any class of asset located anywhere	No	Yes
May invest via collective investments	Yes	Yes
Can the scheme own onshore assets, directly—other than through funds?	Perhaps	Yes
Is the disposal of directly owned onshore assets free from CGT?	No	Yes
Can the scheme own onshore residential property, directly?	Perhaps	Yes
Is the disposal of directly owned UK residential property free from CGT?	No	Yes
Is the scheme FATCA compliant?	Perhaps	Yes
Can the scheme accept a US person's UK QROPS transfer without a US tax charge or PFIC complications	No	Yes
Member privacy when effecting transactions with 3rd parties	No	Yes
Capital Gains Tax	Nil	Nil

Does Your Current Pension Qualify for Inclusion in a DTA?

Just because HMRC has recognised an overseas pension regime for the purpose of a GROPS transfer, it doesn't automatically follow that third party jurisdictions will recognise the same overseas pension regime for inclusion in a DTA they may have with that jurisdiction.

As mentioned previously, both parties entering into DTAs must agree what kind of a pension will benefit from the DTA pension article. Many jurisdictions assume pensions to be occupational, tax recognised, registered and non-vested retirement schemes, thereby excluding vested schemes.

Vested schemes *entitle* you to *direct* the Trustee on investment matters. Such schemes are often not automatically included in DTAs, and may be made available to creditors in event of bankruptcy of the Member.

You can be assured that the DTA situation with respect to Hong Kong GROPS is very clear: Capital Corporation Retirement Plan qualifies for inclusion in each DTA that Hong Kong has negotiated with the rest of the world.

Is Your Pension Included in a DTA?

		Examples
Included	Government and Military service pensions	
Included	Tax recognised, registered and regulated, occupational retirement schemes (funded exclusively by earned income from employment)	Legacy Trust Company Limited's Capital Corporation Retirement Plan, Legacy Superannuation Trust, and International Pension Plan
Not included in all DTAs	Supra-national international organisation schemes	OECD, UN and Radio Free Europe's retirement arrangements
Not included in all DTAs	Personal Pensions, Tax Haven GROPS and Pensions	UK Personal Pension Plans and SIPPS, US IRAs, vested GROPS...
Not included	Employer sponsored occupational schemes	Connected to employment but without legal or tax recognition. Possibly held under Trust, Employment Contract, within an insurance policy or company...
Not included	Personal investments	Savings plan, insurance policies, bank accounts, stock portfolios, personal trusts, discretionary trusts, companies, mutual funds...

If your current pension scheme is vested, then you should consider a transfer.

If you are interested in this option, please speak to your Financial Advisor.

Creditor and Estate Planning

This table demonstrates the relative levels of protection afforded various types of accounts against creditors, probate and estate taxes.

	Estate Planning	Creditor Protection
Personal investments	None	None
Employer sponsored occupational retirement schemes	None	None
Personal Pensions, Tax Haven QROPS and Pensions	Possible	None
Supra-national international organisation schemes	Possible	None
Tax recognised, registered and regulated, occupational retirement schemes (Capital Corporation Retirement Plan)	Full	Full
Government and Military service pensions	Full	Full

Being Non-Vested

By now you will see that there are a great many advantages to managing your retirement account through our non-vested Capital Corporation Retirement Plan rather than through a vested pension scheme incorporated in an offshore tax haven.

In exchange for transferring the ownership of your retirement assets to the Trustee, you control the fund's tax, creditor protection, estate planning and reporting position much more effectively than you can through a vested scheme or by owning assets directly.

Non-Vested means the Trustee assumes full ownership and control of the pension assets. That means you may request certain actions, but the Trustee may refuse to accept your requests in favour of the longer-term health and welfare of your account.

It also means that the Trustee must approve and sign all the investment applications and transactions involving third party providers, platforms or funds. However your Financial Advisor may manage your account if it enters into an agreement with the Trustee.

Please note, however, that the Trustee will always want to know that its actions are in line with your retirement wishes.

Privacy

It is an offence in Hong Kong to disclose any information about an ORS other than for internal administration.

FATCA and US Persons

As a consequence of the Tax and Information Exchange Agreement between the Hong Kong and US governments, Capital Corporation Retirement Plan is also deemed FATCA compliant by the United States Internal Revenue Service, which conveys a significant benefit to US citizens transferring their UK pension to a QROPS, even after they become resident in the US.

Whereas the transfer of a US person's UK pension to a vested jurisdiction such as Malta is subject to a US tax charge, a transfer to Capital Corporation Retirement Plan is not.

Hong Kong is one of the very few places in the world where US residents may also establish an IRS-compliant Non-Qualifying Deferred Compensation plan (NQDC). If you wish to establish such a plan in addition to your QROPS, please talk to us about our deferred compensation plans written under Section 402(b) of the US tax code.

Is a Transfer Your Best Option?

We cannot answer that question for you. In some cases it will be the better option, but in other cases perhaps not. You should seek professional advice and ask for a suitability report.

Can You Transfer Your Current QROPS to Capital Corporation Retirement Plan?

Yes.

If you are dissatisfied with your current investment options or you believe the jurisdiction you now use does not offer the same tax benefits or protections as we do in Hong Kong, you may transfer the current scheme into Capital Corporation Retirement Plan.

The procedure for doing this will be easier than it was when initiating the original transfer, but your current provider may charge you a termination fee and we will charge an establishment fee.

Certain investments, insurance policies and dealing platforms may be transferred in specie but you should confirm this with your current Trustee or Financial Advisor.

Appointing an Investment Advisor

No matter what option you select, we prefer that where you are investing into tradable assets such as stocks and mutual funds, you appoint an Investment Advisor to guide the Trustees on the portfolio investment management.

Investment Advisors may also be your Financial Advisor, but they must demonstrate a suitable level of competence. It follows that not every Advisor will qualify to advise the Trustee. If in doubt, please contact us.

Investment Advisors must agree to disclose to you and to us the amount they earn in fees for advising the Trustees on, and making arrangements for Capital Corporation Retirement Plan investments.

As an alternative, you may appoint a Discretionary Fund Manager who may manage your account more directly on a daily basis.

Only suitably qualified, Trustee-appointed Investment Advisors are engaged as Discretionary Fund Managers. Once appointed they may be given the freedom to trade directly with the platform, but within strict parameters.

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WHY HONG KONG?

Hong Kong is the world's third largest and one of its most stable financial services centre.

With over 230,000 financial services professionals, 159 banks (including 70 out of the world's 100 largest), and over 9,000 registered lawyers working at some 822 law firms, our Hong Kong Trust Members are spoilt for financial choice and legal advice.

Standard & Poor's rates Hong Kong at AAA. Moody's awards it Aa1 and Fitch AA+. Its government debt stands at 32% of GDP as opposed to the United Kingdom's 114%, Spain's 105%, Portugal's 135%, Malta's 73%, and an OECD average of 113%.

As a city with a long history of facilitating trade between China and the West, Hong Kong has played a key role in helping China integrate with the global free market economy. Today Hong Kong is a Special Administrative Region of China, but although it may now be a part of China, it remains distinctly different. Hong Kong law is based on Common law. Its courts rigorously apply the Rule of Law. Its Trust Law is among the most modern in the world.

Hong Kong is not a tax haven. It is a well regulated jurisdiction which is engaged in promoting sound financial practices through its membership of global bodies. As a member of the Financial Action Task Force, it holds jurisdictional equivalence for Anti-Money Laundering and Counter Terrorist Financing with New York and London. It contributes to the development of global pension standards through its chair of the International Organisation of Pension Supervisors' Technical Committee. Hong Kong's Securities and Futures Commission is a member of the Presidents Committee of the International Organisation of Securities Commissions.

The Heritage Foundation lists Hong Kong to be the freest economy in the world. It is certainly one of the most attractive: as at the time of writing, Bloomberg estimates Hong Kong's stock market valuation of USD4tr to be bigger than that of the Tokyo, suggesting Hong Kong now lies third behind only New York and London.

Hong Kong's abolition of both Inheritance Tax and laws against perpetual Trusts give rise to some interesting estate planning opportunities. 28 of the 33 Double Taxation Agreements Hong Kong has signed with the rest of the world assign taxing rights on Hong Kong-sourced pensions to Hong Kong. And Hong Kong applies no Capital Gains Tax on pension growth or Income Tax on pension distributions. Its pension regime also gives anyone the right to establish a pension here, no matter where they live or work, and it lets them do this with no restriction on investments. Its open architecture pension structure makes Hong Kong a very attractive place to establish a global retirement plan.

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WHO REGULATES CAPITAL CORPORATION RETIREMENT PLAN?

Hong Kong's Mandatory Provident Fund Schemes Authority (MPFA) regulates the Capital Corporation Retirement Plan. The MPFA's functions include, but are not limited to:

- ▶ Responsibility for ensuring compliance with the Occupational Retirement Schemes Ordinance (ORSO).
- ▶ Registering Provident Fund Schemes as Registered Schemes.
- ▶ Approving qualified persons to be approved Trustee of registered Schemes.
- ▶ Regulating the affairs and activities of approved Trustees
- ▶ To ensure, as far as is reasonably practicable, that Trustees administer the registered Schemes for which they are responsible in a prudent manner.
- ▶ Making rules or guidelines for the payment of mandatory contributions and for the administration of registered Schemes with respect to those contributions.
- ▶ Considering and proposing reforms of the law relating to Occupational Retirement Schemes (ORS) or Provident Fund Schemes.
- ▶ Promoting and encourage the development of the Retirement Scheme industry in Hong Kong, including the adoption of a high standard of conduct and sound prudent business practices by the Trustee and other service providers.

The MPFA also acts as Registrar of Occupational Retirement Schemes as provided under section 5(1) of the Occupational Retirement Schemes Ordinance (Chapter 426, Laws of Hong Kong).

The ORSO came into force on 15 October 1993, and is the governing legislation for the regulation of voluntary ORS operating in or from Hong Kong.

The ORSO aims to regulate the Retirement Schemes industry through a registration system to ensure that all voluntarily established ORSO Schemes are adequately funded and properly administered, and to provide greater certainty that Retirement Scheme benefits promised to employees will be paid when they fall due.

The Ordinance applies to all ORSO Schemes operated in and from Hong Kong. It also covers Offshore Schemes (i.e. Schemes whose domicile is outside Hong Kong, where the Scheme or Trust is governed by a foreign system of law) which provide retirement benefits to members employed in Hong Kong. All ORSO Schemes must be registered or granted an exemption certificate by the Registrar in accordance with ORSO.

The rules of individual ORSO Schemes such as coverage, enrollment arrangements, contribution rate and vesting scale are specified in the respective governing rules of the Schemes.

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LEGACY TRUST COMPANY LIMITED

Powerful Trust Solutions

Legacy Trust Company Limited is a Registered Trust Company in Hong Kong under Part VIII of the Trustee Ordinance Cap 29. It administers approximately USD6Bn of assets and offers the following services:

- ▶ Trust and Fiduciary Services
- ▶ Trust Administration, Accounting, Valuation and Reporting
- ▶ Charitable Trusts
- ▶ Trusts for Education, Medical Protection of Invalids and Aged Care Purposes
- ▶ Estate and Succession Planning
- ▶ Custodial Services
- ▶ Escrow Services
- ▶ Nominee Services
- ▶ Employee Share Option Trusts
- ▶ Fund administration services.
- ▶ Share Registry and Transfer Agency for Private Equity Arrangements
- ▶ Trade and Commercial Solutions

Product range:

- ▶ ORSO Retirement Trusts for Hong Kong and Overseas Beneficiaries
- ▶ Private Trust Arrangements
- ▶ Private Label Trusts
- ▶ Business Trusts
- ▶ Ready made or tailored Trusts.

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Disclaimer

This document is issued in good faith and reflects our understanding of ORSO, Hong Kong tax Law, international tax matters and the relative advantages and disadvantages of Hong Kong over other QROPS jurisdictions.

This brochure has been produced for generic information only.

Nothing stated in this document should be construed as personal advice.

Potential members should seek professional tax and investment advice before committing to a QROPS transfer.

The decision to make a transfer is yours and yours alone

LTC does not give advice on transfers, nor does it give advice on investments within a QROPS.

LTC's role is solely to act as Administrator and Trustee.

CAPITAL CORPORATION RETIREMENT PLAN



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