

The Financial Nomad

- DOES THIS SOUND FAMILIAR?

YOU OWN PROPERTY IN SPAIN OR PORTUGAL
YOU SPEND MORE THAN 183 DAYS A YEAR IN YOUR 'SECOND COUNTRY'
YOU THINK YOU ARE UNDER THE RADAR OF LOCAL TAX AUTHORITIES
YOU WANT TO TRANSFER YOUR PENSION FUND TO A QROPS
YOU ARE DRAWING INCOME FROM YOUR UK PENSION AND PAYING TAX
AT A HIGH RATE ON THIS INCOME
YOU ARE UNSURE ABOUT YOUR IHT POSITION BUT DON'T THINK IT'S A BIG PROBLEM
YOU WANT TO REDUCE YOUR OVERALL TAX LIABILITY IN A LEGAL WAY WITHOUT
LOSING SLEEP AT NIGHT BECAUSE YOU ARE A TAX NOMAD.
THIS IS A SCENARIO WE COME ACROSS ON A DAILY BASIS.

Lets deal with the easy one first, if you spend more than 183 days in a year in Spain or Portugal you will be deemed to be a resident and need to register with the authorities and can be taxed on your worldwide income (double taxation agreements exist with the UK). Whereas in the past local tax authorities may have been slow in chasing expatriates they are now desperate to replenish their coffers and therefore are intent on raising as much revenue as they can.

Heard about and want a QROPS because that way you can pass the remainder of your fund without any IHT liability to your beneficiaries when you die. However, you cannot do this until you have established residency outside of the UK (or made a clear intent to establish residency within 12 months) and so you are drawing income from a fund where there is a tax liability of 35% should you die before age 75.

After age 75 it gets worse the tax liability could be as high as 82% and even if the new proposals abolishing the need to purchase an annuity come into force at some time in the future the proposed tax liability is still a massive 55% before your beneficiaries receive a lump sum.

So with a fund of £1 million that's at least £350,000 of tax to pay and possibly £820,000 or £550,000. So much for passing on your hard earned savings to your family.

You are drawing income from your pension and being taxed at your highest marginal rate on this income in the UK which could be 40% or possibly 50% if you still have other earnings. You probably haven't been told that if you draw this income in Spain or Portugal you can benefit from particularly generous rules when the contributions into your fund were previously made from your own resources. In some cases this can reduce the income tax you pay down to less than 10%.

You know you should do something about your Inheritance Tax position but of course you haven't declared your real residential status and therefore you cannot benefit from tax planning opportunities available to Spanish or Portuguese residents. You know that your UK estate will suffer IHT and your beneficiaries will have to pay local taxes on your death but you can't do anything about it.

So isn't it about time you stopped burying your head in the sand and took some sound financial advice? Fiduciary Wealth specialises in all cross border issues and we have opened a branch in London to help clients sort out their affairs before they relocate. This complements the service available through our other offices in Gibraltar, Sotogrande and on the Algarve.

Our holistic approach to financial planning requires that we work with other



professionals to deliver complete solutions and we will work with your existing advisers or recommend suitably qualified experts.

Can you afford to carry on like this or are you going to give up being a nomad and finally be able to sleep peacefully at night knowing your financial affairs are all in order?

Office Telephone Numbers:

Gibraltar: + 350 200 50982
London: + 44 207 998 0570
Spain: + 34 956 796 911
Portugal: + 351 289 432 397

Fiduciary Wealth Management Limited

Suite 23 Portland House, Glacis Road Gibraltar. T: +350 200 50982 F: +350 200 46496 E: wealth@fiduciarygroup.com www.fiduciarywealth.eu
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HEAD OFFICE:

Fiduciary Wealth Management Limited
Suite 23, Portland House, Glacis Road Gibraltar
T: +350 200 50982 E: wealth@fiduciarygroup.com www.fiduciarywealth.eu