

Domestic Corporate Pension (DCP) – Summary

New proposed UK Pension legislation	Which Means that:	Domestic Corporate Pension Solution
New tax free life-time limit of £1.4 million pension – likely to be introduced in April 2005 at "D" date – this means that any uplift or appreciation beyond that amount at that time will be taxed.	Growth in the Fund beyond that amount from "D" date will be taxed at 33%.	There is no upper limit to size of pension.
	Furthermore pension income is taxed, and so a high rate taxpayer will have to pay 40% tax on the remaining 67% thus giving an effective tax charge of 60%.	For those wishing to retire in UK-tax on drawdowns would be 22% UK 18% IOM. That is to say that the beneficiary would be no worse off because of the double taxation agreement in existence.
	The cap will hit high earners who opened pensions before 1989 hardest as there were fewer restrictions then.	
	The new proposed lifetime cap restricts the total size of the fund not contributions – thereby effectively taxing successful investments?	
There is a continuing requirement to purchase annuity by the age of 75.	The Insurance Company keeps the fund upon the beneficiary's death after 75 years of age.	No requirement to purchase annuity-pension funds become part of Estate upon death of beneficiary.
From 2010 the earliest age that benefits may be taken will be raised from 50 to 55.		Retirement benefits can be taken at any age between 50 and 75.
There are new contribution limits subject to an annual inflow of £200,000 per annum.	This annual limit is described as "An annual inflow value"-it is by no means clear whether this total includes all uplift in value of the pension fund including capital appreciation as well as including payments and contributions.	More flexibility regarding contributions which may be made by the Employee and/or the Employer.
Considerable flexibility as to eligible assets (in conjunction with Trustees).		Considerable flexibility as to eligible assets (in conjunction with Trustees).
		Scheme may benefit from gross roll up of assets.
Well regulated.		The only offshore centre to have a dedicated pension regulator – The Insurance and Pensions Authority.
Situated in stable country.		With 1,000 years of continuous stable democratic government. Country "AAA" rated by Standard & Poors and Moody's

