# What is a QROPS?

***QROPS: abbr.* Qualifying Recognised Overseas Pension Scheme**

Since April 2006, individuals with UK pension rights who have or will become non-resident in the UK for tax purposes can move their pension benefits out of the UK to a Qualifying Recognised Overseas Pension Scheme - *QROPS* - with the Revenue's approval.

A *QROPS* is a Qualifying Recognised Overseas Pension Scheme that can have significant taxation and investment advantages to individuals with UK pension rights who have, or will become non-resident in the UK for tax purposes.

The rules of the scheme should, for the most part, correspond to the rules governing an authorised UK pension scheme. The trustee's of the *QROPS* must report to Her Majesty's Revenue Customs - HMRC - information about certain events if that individual was resident in the UK for tax purposes during the previous 5 years. These events include:

a) The payment of benefits (lump sum, income and death).
b) Onward transfer of the *QROPS*.

If the individual has been non-resident for 5 complete tax years or more HMRC no longer require information to be reported to them.

An individual may wish to establish a *QROPS* in a jurisdiction with favourable pension rules. Thereby it is possible to achieve significant tax and investment advantages when compared with a UK pension.

HMRC publishes a list of approved schemes although not every scheme chooses to be on that list.

## FAQ's

### ***Should I transfer my pension to a QROPS?***

If you are moving or are already residing abroad, with no intention of returning to the UK, then a *QROPS* may well be the best course of action. However, if you have no intention of residing abroad but are simply trying to circumvent the rules that would apply to a UK registered pension, then The Overseas Pension is not for you.

### ***What happens if I transfer to an international pension that isn't a QROPS?***

There are serious tax implications if the scheme turns out not to be a *QROPS*, including unauthorized member payment and surcharge, as well as a scheme sanction charge.
The scheme sanction charge is 40% of the transfer value payable by the pension scheme. The unauthorised payments surcharge is 15% of the transfer value and would be payable by the individual.

### ***Does it matter where the QROPs is established?***

The primary jurisdictions that operate *QROPS* open to non-residents are Guernsey, Isle of Man, Ireland and New Zealand. Guernsey does not withhold taxes on investment growth or benefits paid from pensions where the member is not a resident of Guernsey and has not received tax relief on contributions made whilst resident of Guernsey.
Other jurisdictions such as Isle of Man, New Zealand and Ireland may impose tax on income or death benefits or investment growth. These taxes may not be recoverable and you may not be able to offset them against tax charges made in your own country of residence.

***What happens if I return to the UK?***

If you return to the UK then the transfer will have a neutral affect as UK pension regulations will apply to the *QROPS*. Therefore a transfer should usually only be considered by those who intend to live outside the UK permanently.

***Can I transfer my UK pension when benefits are already in payment?***

It is possible to transfer a pension where benefits are in payment provided that they are not from an annuity or certain types of company pension schemes.

***Can I invest in residential property?***

Investment in residential property is permitted provided that you have not been resident in the UK for tax purposes at any time during the last five years. The investment may need to be made using a corporate structure.

If you have been resident in the UK for tax purposes during the previous five tax years then the current UK rules apply: i.e. if the investment is not made using a genuinely diverse commercial vehicle a prohibitive tax charge will be levied.

***Should I transfer protected rights benefits to a QROPS?***

It is possible to transfer protected rights to a *QROPS*. However, you will forfeit the protection afforded by the UK pension regulations.

We recommend that you seek advice from a suitably qualified financial adviser before making your decision to transfer.

It is possible for a *QROPS* to receive assets transferred from a UK scheme. However, both the UK pension and *QROPS* must be willing and able to complete the transaction.

## What is a *QNUPS*?

*QNUPS* stands for Qualifying Non UK Pension Scheme. The term was brought about in February 2010 and refers to certain types of overseas pension schemes that are exempt from UK inheritance tax.

The "Qualifying" part of the definition means that the overseas pension scheme must meet HMRC's specific criteria for pension schemes that will not attract IHT.

## *Who is eligible for a QNUPS?*

*QNUPS* are available to those who are either UK resident, or resident elsewhere in the world but have retained their UK domicile status for IHT. Domicile and residence are different concepts and need to be considered in their own rights.

**See *euro*FINESCO *e*Book nº 17, *"Residency & Domicile"***

© - *All rights reserved* 22 April 2018