



WHAT IS A QROPS?

Expat Pensions

For many years, those moving overseas have been faced with difficulties when dealing with pensions, as the pension is usually 'trapped' back at home. One of the main difficulties has been the tax treatment of pensions. Until recently, it has been virtually impossible to move a UK pension to an overseas pension without being forced to pay basic rate tax on the transfer.

On the 6th April 2006, new regulations for pensions came into play in the UK. This created attractive options for transferring UK pensions into foreign plans. Recognised schemes, known as QROPS (*Qualifying Recognised Overseas Pension Scheme*) are now available and mean that those who are or will be non UK-resident can transfer UK pensions without tax deduction and ultimately draw them without UK tax liability.

QROPS

A QROPS is a *Qualifying Recognised Overseas Pension Scheme* that is recognised by HMRC and has met their criteria. Any QROPS can accept transfers from a UK registered pension scheme. UK expatriates around the world and foreign workers who have spent part of their career in the UK and have accumulated UK-registered pension benefits will benefit greatly from QROPS

A pension scheme set up outside the UK, with many residing in low tax jurisdictions or in countries that have more generous tax-free lump sum rules, and/or no ultimate requirement to use any pension fund to buy an annuity as in the UK. This has a major benefit of gaining the ability to leave remaining pension funds to heirs.



Some of the rules that a QROPS must follow are:

- it must be a Pension scheme established outside of the UK;
- the Pension Scheme must be regulated as a pension scheme in the country it resides;
- the scheme must also be recognised by the countries tax authorities and must meet the primary tax conditions;
- it must not be an occupational pension scheme;
- at least 70% of the member's pension funds must be used to create an income for life;
- benefits must not be paid to the member before the normal pension age.

When a transfer application is received by a UK Pension scheme, the administrators must confirm that the overseas transfer is a registered QROPS by referring to the QROPS list. The UK pension provider may request information directly from HMRC for confirmation prior to processing.

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