QROPS FOR RETIREMENT

What is QROPS?

It stands for Qualifying Recognised Overseas Pension Scheme (QROPS). It is a registered scheme with Her Majesty's Revenue & Customs (HMRC) that allows UK pension benefits to be transferred overseas. To achieve QROPS status the Overseas Scheme has to meet certain criteria and give undertakings to HMRC as specified by the relevant regulations.

Who can transfer?

UK residents, expats and non-UK nationals who have a UK pension can transfer their pension benefits to a QROPS.

An overseas transfer charge of 25% may apply to the original transfer value from the UK registered pension scheme to a QROPS, or from a QROPS to another QROPS. The following are exempt:

- the scheme and the member are resident in the same jurisdiction;
- the scheme and member are both in an EEA country, or
- the transfer is being made to an employer sponsored scheme (there is no restriction on where the QROPS is located or the member resident)

What can be transferred?

Most UK pension rights, including those in drawdown, can be transferred provided the rules of the individual scheme(s) permit. State Pensions, annuities in payment and pensions in payment from occupational final salary schemes are not permitted. It is no longer possible to transfer a UK funded public sector Defined Benefit Scheme.

Reporting requirements

Any member payments to the client from their QROPS will be subject to UK reporting requirements (Reporting Period) if, at the time of payment, the client is either UK resident or it has been less than ten years since the date of transfer into the QROPS.

The Reporting Period is counted from when the pension is transferred. During the Reporting Period the scheme providers continue to pay benefits in accordance with the member payment provisions so as not to create an unauthorised payment. Valid distributions can only be made on retirement, incapacity or death.

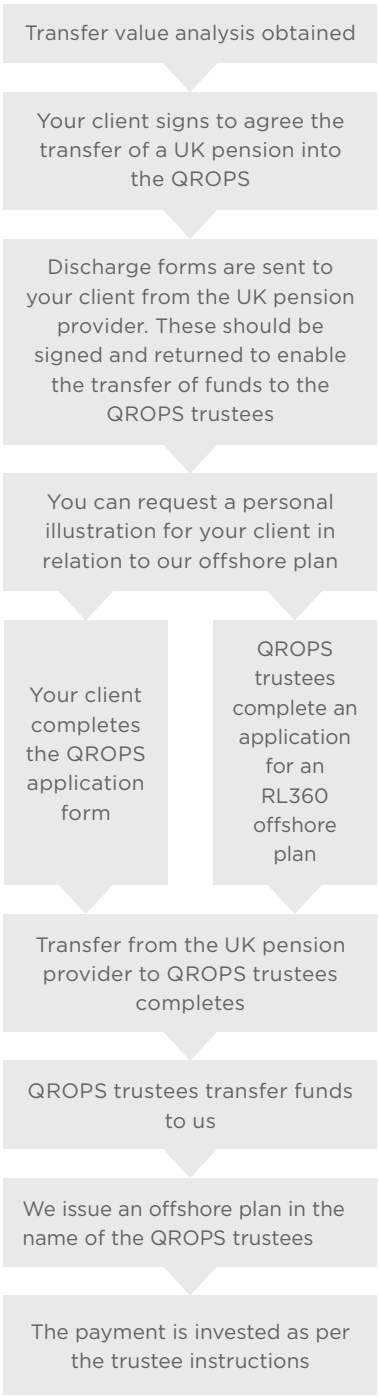
QROPS with an offshore plan

The Trustees can use the money from a UK pension scheme to purchase an offshore plan which is then held under the QROPS as the scheme's investment platform.

The QROPS trustees are the legal owners of the plan and your clients are the scheme members.

Where the transfer is being made from a private Defined Benefit Scheme, the transferring scheme can request confirmation that the scheme member has received the appropriate level of advice at any stage.

The diagram below illustrates the usual process involved in the transfer of a UK pension scheme to a QROPS.



Important notes

For financial advisers only. Not to be distributed to, nor relied on by, retail clients.

The information contained in this document is based on RL360's understanding of HMRC legislation as at March 2019. Whilst every care has been taken, RL360 cannot accept responsibility for its interpretation or any subsequent changes. This information is not intended as a substitute for legal or tax advice.

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