

QROPS for retirement

For financial advisers only

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?

QROPS have been designed for those persons planning to retire abroad on a permanent basis, or who already live abroad. On 9 March 2017, HMRC introduced a new transfer tax charge. The charge is 25% of the UK tax relieved fund unless the scheme and the member are resident in the same jurisdiction; they are both in an EEA country or transfer is being made to an employer sponsored scheme.

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. Also, it is no longer possible to transfer a UK government funded 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 bond

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

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

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



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.

Important notes

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

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