

## Overseas Pensions: QROPS

This Spotlight will give you information about what a QROPS is and give guidance points for those considering transferring to a QROPS.

If you move abroad, you do not have to transfer your UK pension pot. You can choose to leave it in the UK and then draw benefits from the UK.

**The Pensions Advisory Service is unable to give individual specific advice and you should seek alternative tax or regulated financial advice.**



### What is a QROPS?

'QROPS' stands for 'qualifying recognised overseas pension scheme'. A QROPS is an overseas pension scheme that HM Revenue & Customs (HMRC) recognises as eligible to receive transfers from registered pension schemes in the UK.

To qualify as a QROPS the scheme must meet the requirements set by UK tax law, such as being available to residents in that country and not being accessible before age 55 unless under special circumstances.

To check if a pension is a QROPS you can check the list of schemes that have told HM Revenue and Customs (HMRC) that they meet the conditions to be a recognised overseas pension scheme (ROPS). <https://www.gov.uk/government/publications/list-of-qualifying-recognised-overseas-pension-schemes-qrops>

### Why might you consider having a QROPS?

If you live overseas or are thinking of moving abroad then you may consider transferring to a QROPS.

- You may want your pensions to be in the country that you retire to so you are not receiving income in pounds and spending in a different currency, as exchange rates can fluctuate.
- You may also find it easier to keep track of tax and regulation changes if they happen in the country that you reside.
- You may be working outside of the UK for an employer that offers a QROPS and you like the benefits offered.

In all cases it is recommended that you should take regulated financial advice before transferring to a QROPS and you should consider any guarantees or other benefits that you might lose by doing so. Standards of advice can vary in different countries, so make sure you are confident of the professional standing, qualifications and experience of any adviser that you talk to. Please be aware that transfers to QROPS can be subject to a number of tax charges as listed in the next sections.

## When does the 25% overseas transfer tax charge apply?

From 9th March 2017, transfers to QROPS attract a 25% tax charge but there are exceptions.

You will still be able to make a transfer tax free if you are transferring to a qualifying recognised overseas pension scheme (QROPS) and formally requested your transfer before 9 March 2017 or one of the following apply:

- you are resident in the country where the QROPS receiving your transfer is based
- you are resident in a country in the European Economic Area (EEA) and the QROPS you are transferring to is based in another EEA country
- the QROPS you are transferring to is an occupational pension scheme and you are an employee of a sponsoring employer under the scheme
- the QROPS you are transferring to is an overseas public service scheme and you are employed by an employer that participates in that scheme
- the QROPS you are transferring to is a pension scheme of an international organisation and you are employed by that international organisation

If the scheme you are transferring out of does not receive the correct paperwork then they are required to charge the 25% on transfer regardless and you will have to apply for a refund via your scheme at a later date.

If you are exempt from the charge on transfer but then your circumstances change within 5 years such as moving to another country or moving your QROPS to another country then you may have to pay the 25% tax charge at that point.

## QROPS and the Lifetime Allowance

There is a lifetime allowance of £1,073,100 that you can have in pension savings in the UK unless you have one of the forms of protection in place. If you are under 75 and transfer out of UK registered pensions into a QROPS the value of the transfer will be tested against the lifetime allowance and if it is in excess of your unused allowance, this could result in a tax charge of 25% on the excess.

Conversely, if you are under 75 and transferring into a UK registered pension from a QROPS this will usually result in an enhancement to your lifetime allowance.

If either of these situations would apply to you, we recommend that you speak to a regulated financial adviser.

## What happens if I transfer to an overseas scheme that is not a QROPS?

If you transfer to an overseas pension and it is not a QROPS then usually you will be classified as making an unauthorised payment from your pension which could result in an unauthorised tax charge of 55% with the possibility of additional penalties.

Such a transfer is also unlikely to be regulated and is likely to leave you without any recourse to compensation. You may also find yourself in investments that are not diversified or not suitable to your attitude to risk. In short – the worst that could happen is that you lose all of your money and still find yourself with a tax charge to pay. Be aware of scams, don't act on the basis of an unsolicited contact and always deal with a regulated financial adviser.

If you are contacted out of the blue and suspect a scam, contact Action Fraud <http://www.actionfraud.police.uk/>.

## Am I free of UK rules and taxes on my pensions if I transfer?

On transfer your QROPS will have a 10 year reporting requirement to HMRC so that if you breach the rules of a QROPS such as releasing funds before age 55 you could still be subject to a tax charge of 55% plus penalties.

For those that have transferred to QROPS before 6<sup>th</sup> April 2017 you also have to be resident outside of the UK for 5 consecutive tax years by the time you come to retire or take benefits. The period of non-UK residence was extended to 10 consecutive tax years for those that transfer on or after 6<sup>th</sup> April 2017. UK tax rules can apply for the 5 full tax years after you have transferred to a QROPS regardless of how long you have been non-resident.

If you are UK resident when you take benefits from your QROPS this is likely to be subject to UK income tax.

If you are resident abroad you will also need to check the tax rules for that country and the country where your QROPS is based. Before you transfer check what tax you will pay on the pension benefits.

## Pension Freedoms and QROPS

Whilst pension freedoms were introduced for defined contribution pensions in the UK, QROPS remained subject to a test that 70% of the fund had to be used to provide income for the rest of the your life. This test has now been removed for all QROPS\* as of April 2017, and you are allowed to have the same options as members of UK registered pensions.

There is also retirement age test of 55 which has now been modified. The new regulations allow for the following payments before age 55:

- a serious ill-health lump sum
- a short service refund lump sum
- a refund of excess contribution lump sum (where you pay too much into your pot by mistake)
- a winding-up lump sum (where you have a small pot and the scheme is wound up)

\*Including international organisations such as the UN and the EU pension schemes

From 6<sup>th</sup> April 2019, beneficiary rules were changed to allow QROPS to keep their tax status when the nominated beneficiary is anyone other than a family member.

## QROPS and Consumer Protection

When you take regulated financial advice in the UK you are protected by the Financial Conduct Authority and can complain against poor advice to the Financial Ombudsman Service (FOS). If you have a complaint in relation to how your UK registered pension scheme is run you can also complain to FOS or the Pensions Ombudsman.

If you receive advice from an adviser regulated in another country any complaint you make against the advice will have to be made to the authorities in that country. You may receive advice in the UK from an adviser who has “passported in” their regulated status and again you will have to complain to the authorities in the country that adviser is regulated in.

If you have a complaint about how your QROPS is run, then you will have to complain to the regulator in the country the QROPS is based.

## Take a pause before transferring

If you move abroad, you do not have to transfer your UK pension pot. You can choose to leave it in the UK and then draw benefits from the UK. Currency risk and exchange commission can be managed by setting up a foreign exchange account and transferring money into your local denomination accordingly.

If you are transferring your pension you should make sure you understand the features and options in the new plan you are transferring to and how it differs from your current pension. Look out for any charges you may pay on your current pension for transferring, and check what the set-up and ongoing charges are on the new pension.

Since 2013 regulated advisers in the UK are not allowed to charge commission and have to be upfront about the fees they will charge you for pensions advice this is not true in every country. Other fees such as trail paying investments and switching charges need to be looked out for.

Also find out how the QROPS will invest your money and whether you have any choice in the type of investments. Consider the level of risk you are happy with. You might be worse off if you transfer your pension abroad.

You must get regulated financial advice if you want to transfer from most defined benefit pensions and from some defined contribution pension pots which include a guarantee on how much income you will receive. In some cases this may result in you taking regulated advice in both the UK and the country that you are transferring to.

## Choosing a Financial Adviser

For advisers in the UK can search by postcode and then apply a filter to search for those that have expertise in expatriate finance at the following directories:

<https://www.thepfs.org/yourmoney/find-an-adviser/> or <https://directory.moneyadvice.service.org.uk/en>

Outside of the UK you may be able to find an English speaking adviser with the appropriate expertise and qualifications through the local British Chamber of Commerce directory but check on the local regulator's website that they are authorised to give advice in that country.

With any advisers it is worth checking their testimonials from their clients and their work experience and qualifications.

For more information on the difference between financial advice and guidance please see our Spotlight on the subject: [https://www.pensionsadvisoryservice.org.uk/content/publications-files/uploads/Spotlight\\_Financial\\_advice\\_and\\_the\\_guidance\\_we\\_can\\_offer.pdf](https://www.pensionsadvisoryservice.org.uk/content/publications-files/uploads/Spotlight_Financial_advice_and_the_guidance_we_can_offer.pdf).

## About Us

The Pensions Advisory Service (TPAS) works to make pensions accessible and understandable for everyone. We provide independent and impartial information and guidance about pensions, free of charge, to members of the public.

We help with all pension matters covering workplace, personal and stakeholder schemes and also the State Pension. We answer general questions, help with specific queries and offer guidance for people with complaints about their private pension scheme.

The Pensions Advisory Service is provided by



## Contacting us



### Pensions Helpline

Monday-Friday 9am-5pm

**0800 011 3797**



### Online enquiry form

[www.pensionsadvisoryservice.org.uk/online-enquiry](http://www.pensionsadvisoryservice.org.uk/online-enquiry)



### Web chat live

8am-6.20pm Monday/Wednesday/Friday  
9am-6.20pm Tuesday/Thursday  
9am-1pm Saturday

[www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)



### Write to us

Money and Pensions Service  
120 Holborn  
London  
EC1N 2TD

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