



# A guide to QROPS

## Introduction

Qualifying Recognised Overseas Pension Schemes (QROPS) were introduced in April 2006 as part of 'Pension Simplification'.

With effect from this date it became possible to transfer a UK approved pension scheme overseas to a Qualifying Recognised Overseas Pension Scheme (QROPS). These transfers are considered by HMRC as 'recognised transfers' therefore 'unauthorised member payment charges' do not apply.

Before HMRC will authorise a QROPS, the provider must meet certain conditions and agree to strict reporting requirements.

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## What is a QROPS?

To qualify, an overseas pension scheme must:

- be established in a country or territory which regulates pensions schemes
- incorporate rules stipulating that at least 70% of the fund be used to provide an income for life
- not provide benefits to the member before the normal UK pension age of 55 years
- be 'recognised for tax purposes' in the country or territory that it is established. This means that either the benefits or contributions are taxed
- be open to residents in the country or territory in which it is established

Full requirements can be found in Statutory Instrument 2006/206  
[http://www.opsi.gov.uk/si/si2006/uksi\\_20060206\\_en.pdf](http://www.opsi.gov.uk/si/si2006/uksi_20060206_en.pdf)

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## What are the reporting requirements?

A QROPS must provide HMRC with details of all benefit crystallisation events for the first 5 complete and consecutive tax years that a member is non resident in the UK. The benefit crystallisation event information required is:

- a) the name and address of the relevant migrant member or individual (as the case may be) in respect of whom there has been a benefit crystallisation event in the tax year; and
- b) the date, amount and nature of the benefit crystallisation event.

Full requirements can be found in Statutory Instrument 2006/208  
[http://www.opsi.gov.uk/si/si2006/uksi\\_20060208\\_en.pdf](http://www.opsi.gov.uk/si/si2006/uksi_20060208_en.pdf)

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### What is the tax position?

As a rule, UK Pension Schemes only allow for 25% cash to be withdrawn at retirement and a taxable income stream generated by the residual fund whether the member is UK resident or not. (It is possible to ask HMRC to provide the income stream gross, but this is generally only done on proof that you are fully taxed in your current country of residence, and that HMRC approve of that country's tax system.)

IHT (Inheritance Tax) QROPS are provided with the same protection as UK Regulated Pension Schemes.

Tax Free Roll-Up within the fund. The tax on distribution will depend upon the residence of the QROPS (e.g. local withholding taxes) and the member's country of residence. (Members should always seek independent tax advice on this matter.)

There is no requirement for a QROPS to either purchase an Annuity or ASP (Alternatively Secured Pension) at age 75 unless local regulations require it.

### Who should consider a transfer?

QROPS are potentially suitable for those who have already emigrated from the UK on a permanent basis, UK Non-Domiciles who will return home, and those intending to emigrate from the UK on a permanent basis in the near future.

QROPS are not suitable for those who remain Domiciled and Tax Resident in the UK or those who intend to return to the UK on a permanent basis.

Panthera recommends that clients should seek advice from a suitably qualified and regulated independent financial adviser before proceeding with any transfer.

### What can be transferred?

Most UK Pension Schemes can be transferred to a QROPS including both Protected Rights and those in 'drawdown'. The exceptions are the State Pension and most Final Salary and Defined Benefit Schemes that are in payment.

### Investment flexibility

Many QROPS providers impose investment restrictions, however schemes promoted by Panthera offer genuine 'open architecture' (investment freedom) within our recommended range of products:



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The Trustees' preference is for a client/adviser to appoint a fund/investment manager to take safe custody of the assets and to act on the investment instructions of the client and or adviser. This will allow investments to be managed on a discretionary or advisory basis within the following categories:

- Stocks, bonds, alternative investments, hedge funds, structured products & deposits

In addition the following asset classes are permitted:

- Private Equity – held indirectly through a separate wholly owned offshore company
- Real Estate – held indirectly through a separate wholly owned offshore company (Finance Act 2006 (Sch 21, para 14(3)) and subsequent regulations – The Pensions Schemes (Application of UK Provisions to Relevant Non-UK Schemes) (Amendment) Regulations 2006/1960, Taxable Property.)

Panthera does not offer investment or tax advice and requires the member and their intermediary to select their own trading platform and investment manager.

Assets can be held in any denomination.

### Other points to consider

A transfer to a QROPS will be a benefit crystallisation event and will give rise to a lifetime allowance charge if the amount transferred exceeds the individual's unused lifetime allowance (LTA). The LTA to which everyone is entitled will rise to £1.8 million in 2010/11. Any Enhanced Protection that is in place prior to transfer will also remain in place post transfer.

If an unauthorised payment is made then that will give rise to a 40% unauthorised payments charge and, possibly, to a 15% unauthorised payments surcharge.

A payment could give rise to a member payment charge under schedule 34 to FA 2004. In particular, the individual will be liable to an unauthorised payments charge if the payment would have been unauthorised had it been made from a UK registered pension scheme.

More information can be found on the HMRC website in particular the 'frequently asked questions' page.  
<http://www.hmrc.gov.uk/pensionschemes/faqs.htm>



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### What can I withdraw from my Retirement Scheme?

At retirement age the QROPS will pay up to 25% as a **Pension Commencement Lump Sum (PCLS)**, [formerly known as Tax Free Cash (TFC)], provided that no such benefits have previously been taken in the UK. Income Payments are calculated subject to Trustee rules.

**Existing Income Drawdown:** For policyholders with Existing Income Drawdown schemes (Unsecured Pensions); following the transfer to QROPS, the receiving scheme will be required to provide benefits on a like-for-like basis as preceding the transfer.

For further details see:

[www.hmrc.gov.uk/manuals/rpsmanual/rpsm14106040](http://www.hmrc.gov.uk/manuals/rpsmanual/rpsm14106040)

[www.hmrc.gov.uk/manuals/rpsmanual/rpsm14106060](http://www.hmrc.gov.uk/manuals/rpsmanual/rpsm14106060)

Note: Advice should be sought from your adviser as to the tax implications on payment of benefits in your country of residence.

### What are the fees?

Set-up: Percentage of fund value 0.5%  
Subject to a minimum of EUR2,500 and maximum of EUR10,000

Annual: Percentage of fund value 0.5%  
Subject to a minimum of EUR2,000 and maximum of EUR10,000

If funds are transferred out or any payments are made, with the exception of:

1. 25% Pension Commencement Lump Sum or
2. Normal income payments or
3. Death

There will be a phased early surrender penalty, as follows.

Year 1	EUR9,000
Year 2	EUR6,000
Year 3	EUR3,000
Year 4	Nil



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## Who should I contact?

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