

Hundreds of Pension Schemes taken off QROPS list

The UK tax authorities' new list of recognised overseas pension schemes (ROPS) has been published¹ – and there are several schemes which no longer appear.

HMRC temporarily suspended its list in mid-June,² after sending a letter to scheme providers seeking confirmation that the listed schemes met the new *pensions age test* requirement. The requirement was introduced in April under the new UK pensions legislation and means that the scheme can only pay out to under-55s in cases of *serious ill health*.³

The new list, published on 2nd July, shows the number of schemes as just 663, compared with 3,800 previously. The worst hit jurisdiction was Australia, where only the government superannuation scheme survived from the around 1,600 listed in June. Ireland now hosts a mere 56 ROPS, as opposed to 797 earlier this year; Switzerland has just one recognised scheme, as the other 99 fell short of the new requirements.⁴

One of the reasons why many schemes haven't fallen off HMRC's list is the allowance of pay-outs for members who experience *serious financial hardship*. Also, some schemes may be dormant and some managers may have chosen not to respond to HMRC's request for QROPS confirmation.⁵

This change in circumstances means that transfers made after 6th April 2015 run the risk of incurring a transfer penalty of up to 55%.⁶ However, this is not an absolute: the list is not as definitive as it may first seem. It is a list of pension schemes which have told HMRC that they meet the conditions to be a ROPS and have asked to be included⁷.

¹ <https://www.gov.uk/government/publications/list-of-qualifying-recognised-overseas-pension-schemes-qrops/list-of-recognised-overseas-pension-schemes-notifications>

² <https://www.gov.uk/government/publications/list-of-qualifying-recognised-overseas-pension-schemes-qrops#history>

³ <https://www.gov.uk/early-retirement-pension/personal-and-workplace-pensions>

⁴ <http://www.international-adviser.com/news/1023543/hmrc-scraps-thousands-qrops-overseas-pensions-list>

⁵ *ibid*

⁶ <http://www.international-adviser.com/news/1023543/hmrc-scraps-thousands-qrops-overseas-pensions-list>

⁷ <https://www.gov.uk/government/publications/list-of-qualifying-recognised-overseas-pension-schemes-qrops/list-of-recognised-overseas-pension-schemes-notifications>

Despite the dramatic fall in the number of qualifying schemes, the publication of the new list is, in many ways, a positive step. It gives some clarity regarding interpretation of the new requirements. For example, we can now draw the conclusion that Australian superannuation schemes are not currently QROPS under the new pension system. Some of these schemes are large, making it difficult to adapt quickly to the changes. It's possible that they will seek exemptions from HMRC. In fact, the UK tax authority has already announced that it will waive the fees for transfers made up until 17th June (the date the ROPS list was temporarily suspended) for many New Zealand-based *KiwiSaver* schemes,⁸ and is considering the same allowance for Australian superannuation schemes.⁹

Smaller jurisdictions have been able to adapt their legislation to the new UK pensions regime. Gibraltar and Malta, for example, were able to align their legislation to the UK's new flexibility rules. That said, the 70% requirement, whereby pension funds must be used to provide an income for life, still apply to non-EU jurisdictions at least on a temporary basis. HMRC is apparently working on a new system to replace this.¹⁰ However, as Malta is a member of the European Union, it is not subject to this restriction in the first place.¹¹

As the new UK pensions system is still being adapted to QROPS, the situation remains fluid. Thus, if you're considering transferring your UK pension overseas, it's best to check with an independent expert beforehand.

For further information, please contact us by e-mail on info@mbmg-investment.com or call +66 2 665 2536.

Paul Gambles has completed CFA level 1 and is licensed by the SEC as both a Securities Fundamental Investment Analyst and an Investment Planner.

Disclaimers:

- 1. While every effort has been made to ensure that the information contained herein is correct, MBMG Investment Advisory cannot be held responsible for any errors that may occur. The views of the contributors may not necessarily reflect the house view of MBMG Investment Advisory. Views and opinions expressed herein may change with market conditions and should not be used in isolation.*
- 2. With investment comes risks. Please study all relevant information carefully before making any investment decision.*
- 3. An investment is not a deposit, it carries investment risk. Investors are encouraged to make an investment only when investing in such an asset corresponds with their own objectives and only after they have acknowledged all risks and have been informed that the return may be more or less than the initial sum.*

⁸ <http://www.international-adviser.com/news/1020066/zealand-kiwisaver-schemes-fall-hmrc>

⁹ <http://www.international-adviser.com/news/1023524/hmrc-confirms-australian-super-funds-qrops>

¹⁰ <http://www.ftadviser.com/2015/06/16/pensions/personal-pensions/hmrc-temporarily-suspends-overseas-scheme-list-IIUXRL2gQZ554Op8QZZ6xL/article.html>

¹¹ Sovereign/Pentech International Financial Adviser Support Programme, Pensions Update, March 2015