

TRANSFERRING from a UK pension

LGIAsuper ceased as a Qualifying Recognised Overseas Pension Scheme (QROPS) from 13 April 2017. This info sheet contains important information about significant changes to LGIAsuper and UK pensions.

What is a QROPS?

A 'qualifying recognised overseas pension scheme' (QROPS) is an overseas pension scheme recognised by the UK Government that can accept the transfer of tax relieved UK pension savings without penalty. Transferring your UK pension savings to a QROPS means your money will receive more favourable tax treatment when it leaves the UK.

Is LGIAsuper a QROPS?

LGIAsuper deregistered as a QROPS with effect from 13 April 2017 due to the new overseas transfer charge. Any UK transfers made to us from this date will incur the unauthorised payments charge.

All current QROPS are listed on Her Majesty's Revenue and Customs' (HMRC) recognised overseas pension schemes notification list.

What happens if I transfer my UK pension to a non-QROPS?

If you transfer your UK pension savings to an overseas pension scheme that is not a QROPS, your UK pension scheme may refuse to make the transfer, or you'll have to pay at least 40% tax on the transfer (the unauthorised payments charge). What's more, if you transfer over 25% of your UK pension scheme balance in any 12 month period, you could be up for a 15% unauthorised payments surcharge, bringing your total UK tax bill to 55%.

It is your responsibility to find out if you have to pay tax on any transfer of pension savings. LGIAsuper will not be held liable for any tax or penalties applied by the UK on any transfer of UK pension savings.

Overseas transfer charge

On 8 March 2017, the UK Government announced significant changes to the taxation of transfers of UK pensions to overseas pension schemes, including Australian superannuation funds.

A new 25% tax charge ('overseas transfer charge') applies to transfers of UK pensions to a QROPS requested from 9 March 2017 that do not satisfy one or more of the following criteria:

- both the individual and the QROPS are in the same country after the transfer;
- the QROPS is in one country in the EEA (an EU Member State, Norway, Iceland or Liechtenstein) and the individual is resident in another EEA after the transfer;
- the QROPS is an occupational pension scheme sponsored by the individual's employer;
- the QROPS is an overseas public service pension scheme as defined at regulation 3(1B) of S.I. 2006/206 and the individual is employed by one of the employer's participating in the scheme;
- the QROPS is a pension scheme established by an international organisation as defined at regulation 2(4) of S.I. 2006/206 to provide benefits in respect of past service and the individual is employed by that international organisation.

The new UK legislation also widens the scope of UK taxing provisions so that, following a transfer to a QROPS on or after 6 April 2017, the overseas transfer charge applies to payments out of those transferred funds in the 5 tax years following the transfer if your circumstances change and you cease to satisfy one of the above criteria.

The UK tax may be refunded if you subsequently satisfy one of the above criteria within the 5 tax year post-transfer period. The new charge only relates to transfers that are requested from 9 March 2017. According to guidance released by Her Majesty's Revenue and Customs (HMRC), a 'transfer request' is made when a member has made a substantive request to the scheme administrator of their pension scheme on which the scheme administrator is required to take action in relation to the transfer. This means an instruction from the member to transfer £X or X% of their pension funds to a named overseas pension scheme. A casual enquiry is not a transfer request.

You can find out more about the changes at HMRC's website: www.gov.uk/government/publications/qualifying-recognised-overseas-pension-schemes-charge-on-transfers

How do the changes affect LGIASuper?

The new UK legislation also required all QROPS to enter into an undertaking with HMRC to be held jointly and severally liable for any tax liability imposed by HRMC on a UK transfer. LGIASuper determined that it was not in the best interests of its members to enter this undertaking due to the potential conflict between the operation of the overseas transfer charge with Australian superannuation law, and the additional administration burden on facilitating the overseas transfer charge. **LGIASuper therefore deregistered as a QROPS with effect from 13 April 2017**

As we are no longer a QROPS, we cannot accept the transfer of any UK pension after 13 April 2017 without the imposition of the UK unauthorised payments charge. Further, your UK pension scheme provider will likely refuse your transfer request

For transfers of UK pensions that occurred prior to 13 April 2017, LGIASuper has continuing reporting obligations to HMRC as a former QROPS .

LGIASuper's ongoing reporting obligations

If you transferred your UK pension to us prior to 13 April 2017, we are required to meet a number of ongoing reporting obligations to HMRC. We will notify the UK Government when:

- you receive a benefit or cash payment from us
- you transfer your super to another Australian super fund or overseas pension-type fund
- we make a payment to your beneficiary/beneficiaries in the event of your death.

Payments and transfers

You should be aware that the UK Government automatically treats all payments or transfers from your Australian superannuation savings that include transferred UK pension savings as having been paid firstly out of UK transferred amounts. This means, for example, that any payments made to you from your LGIASuper account that include amounts transferred from your UK pension may be subject to the UK Government's unauthorised payments charge and surcharge.

We strongly recommend you seek professional financial advice about the implications of any payments or transfers from your LGIASuper account that may include transferred UK pension savings, particularly if you are accessing benefits prior to the UK minimum retirement age (currently 55 years).

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Check before you transfer to another Australian super fund

If you ask us to transfer all or part of your LGIASuper account to another super fund, we are not required to check the other fund is a QROPS. If you transfer your super to a fund that is not a QROPS, you will be subject to an unauthorised payments charge or surcharge. It's important you check this before organising such a transfer.

Australian tax implications for UK transfers

Transfers of UK pensions to Australia are subject to Australian taxation upon receipt. The amount of tax you will have to pay on your transfer, and who pays the tax is outlined in our Transferring an overseas pension info sheet. For a copy, visit our website or give us a call.

Any questions?

We're here to help. Our trusted and reliable team can work with you to grow your savings and plan a strong financial future. Call us on **1800 444 396** or visit our website at **lgiasuper.com.au**.

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