FT ADVISER

By Peter Walker
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Government removes pension freedoms for Qrops

Overseas pension schemes holding UK tax-relieved savings outside the European Union will be prevented from offering pension freedoms to members on 6 April, following a government U-turn over a rule that requires the majority of a fund to be ringfenced to provide an "income for life".

HM Revenue and Customs had initially consulted last year on plans to extend full freedoms to qualifying recognised overseas pension schemes, meaning savers would be able to access their pensions in line with the rules in the UK without the scheme losing its Qrops status.

However, the new statutory instrument 673 laid before the House of Commons last week has revealed a stay of execution for the key requirement for a Qrops to designate at least 70 per cent of an individual's transferred pension to provide an income for life.

Overseas schemes based inside the European Union are not subject to the rule. For schemes based in one of the 28 member states this new development will not prevent them offering free access to funds, provided they meet certain reporting requirements.

Most schemes based in jurisdictions that are not EU member states will have to await further word from the government which has said it is consulting on a replacement rule.

A spokesman for HMRC said following the consultation on draft regulations it was decided to take more time to find the most effective replacement for the current 70 per cent rule.

"This may mean that in a few cases in order to be a Qrops a pension scheme may need to continue to meet the 70 per cent requirement for now. We will continue to explore with interested parties the best way to replace the existing 70 per cent rule as quickly as possible."

For a scheme to offer pension freedom, the rules in the home jurisdiction will also have to mirror the access rules. Currently only Malta, Gibralter and Guernsey have confirmed they will do so.

Sam Instone, chief executive of international advisory firm AES International, said: "This development potentially damages the Qrops market, at least for the time being, placing Sipps undoubtedly in the forefront.

"There is one exception though. As Malta is part of the EU it was never subject to the 70 per cent rule and so won't be impacted by this latest development."

The new statutory instrument comes following a consultation launched in December and is

known as, The Overseas Pension Schemes (Miscellaneous Amendments) Regulations 2015.

Paul Forman, head of sales for Qrops firm Momentum Pensions, previously explained to FTAdviser that the same statutory instrument which applies to UK pensions applies throughout the international community for ex-pats.

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COMMENT AND REACTION

3 comments

aglabboy
5:26 PM on 17/3/2015

On the face of it this is good news for Gibraltar, Malta and Guersey but I am still not clear as to the level of tax to be deducted from payments made in respect of QROPs held in these jurisdictions

william2
12:41 AM on 18/3/2015

So does this mean that the non EU QROPS funds that are technically not classed as a DC scheme that permits flexibility in retirement are still able to receive transfers from unfunded public DB schemes? Most schemes state that from April they will no longer be able to transfer deferred member benefits to a flexible DC scheme. It will be interesting to see how the legislation is interpreted for the QROPS' that have to continue with the 70% income rule.

bethellcodrington
9:02 AM on 18/3/2015

The following is the official list of EU member States. http://europa.eu/about-eu/countries/index_en.htm
If HMRC are true to their word, if a jurisdiction is not on the list it has to comply with 30-70%. How will they treat 'dependent territories' and CI?
We will have to wait and see what April 6th brings, as pre-judging, as we have seen again, is a dangerous thing.