Standard Life
There's a lot to look forward to

Transferring pensions from the UK to Ireland
What you need to know

Podcast transcript

With 120,000 Irish residents holding British pensions, Brexit negotiations have got people thinking about transferring pensions from the UK to Ireland. Here's our guide for financial advisers on what you need to know.

I'm Stephanie Garrigan from Standard Life's Business Services Team, and today I'm joined by Sinead McEvoy, manager of the Technical Solutions Team, to talk about all things QROPS.

Stephanie: Sinead, let's start with the basics. What is a QROPS and who is it for?

Sinead: A QROPS is a type of overseas pension scheme to which someone can transfer funds from a UK registered pension scheme without incurring UK tax charges.

QROPS are relevant for people who have worked in the UK at some stage of their career and have built up a UK pension. If you're now living in Ireland with no intention of leaving, then you may want to consider bringing that pension back to Ireland.

We have a huge amount of experience in this space, it's certainly something we specialise in. Standard Life's Synergy Buy Out Bond (BOB) is registered with HMRC as a QROPS and can accept a pre-retirement pension transfers from any type of UK registered pension scheme i.e self-employed and occupational pension arrangements.

We've definitely seen a big increase in this demand over the last 18 months as individuals with deferred UK pension benefits are concerned that Brexit may make it more difficult to transfer benefits from the UK. There is no evidence that this is the case but none the less it doesn't stop individuals wanting to bring their UK pensions back to Ireland – it's the fear of the unknown I suspect.

Stephanie: What types of pensions can be transferred?

Sinead: You can transfer most private sector pensions but most public sector pensions cannot be transferred as they are unfunded schemes (in the same way as our own civil service pension scheme is).

Where transfers are from a Defined Benefit scheme where the value is greater than £30,000 or a defined contribution with safeguarded benefits, advice must be sought from an adviser regulated by the Financial Conduct Authority.

Stephanie: There have been numerous regulation changes to QROPS over the years (2012, 2015 and lastly in April 2017) which brought about considerable change. Tell me about the significance of those changes.

Sinead: Yes, the purpose of QROPS, when introduced back in 2006, was to allow individuals moving overseas to be able to take their pension with them. But following years of the rules being manipulated and misused, HMRC introduced an overseas transfer charge in 2017 which was specifically designed to return the use of QROPS back to what was originally intended to do.

Stephanie: So what is the overseas transfer charge?

Sinead: HMRC introduced a 25% overseas transfer charge in the UK Finance Act 2017. What this means is that UK pension providers must deduct 25% from the transfer amount unless

- the individual lives in the same country in which the QROPS is established; or
- both the individual and the QROPS are within the European Economic Area (EEA) or
- the transfer is to an individual's employer's occupational scheme

If a person's status changes within five years of the transfer to our QROPS BOB, i.e. they move outside of the European Economic Area (EEA), we're required to deduct 25% of the fund value and remit it to HMRC.

However once benefits are retired in line with QROPS rules then this charge no longer applies.

The introduction of this charge on pension transfers to a country where the individual is not residing has acted as a deterrent and has refocused the use of QROPS to what it was intended to do as transfers to QROPS halved in the year after this charge was introduced.

Stephanie: What are the benefits of transferring a pension from the UK to Ireland?

Sinead: There are a few benefits that stand out:

- First, convenience. It makes things simpler if you're planning to retire in Ireland
- Second, it gives you greater control over your investment
- Thirdly, UK pension income (after a tax free lump sum) is taxable as income in Ireland so the individual will need to do a yearly tax return in respect of this income
- And lastly, inheritance planning. If the beneficiaries of your will or your dependants aren't living in the UK, leaving your pension there may be more complicated to deal with, so it may make more sense to transfer your pension to Ireland

Stephanie: How does this affect an individual's Standard Fund Threshold or Personal Fund Threshold?

Sinead: Transfers from a UK registered pension scheme do not form part of an individual's Standard Fund Threshold or Personal Fund Threshold. So any transfer to a QROPS can grow without impacting on your maximum allowable pension fund.

Stephanie: How does this affect an individual's tax free lump sum entitlement?

Sinead: The tax free lump sum will form part of an individual's lifetime limit here in Ireland – what this means is that it will be included in an individual's €200,000 tax free lump sum lifetime limit and €300,000 lump sum charged at standard rate tax.

If you bring your pension to Ireland, then your ability to fund the lump sum in Ireland may be diminished. The maximum tax free lump sum in Ireland from all pensions is €200,000 and therefore the optimum fund is €800,000.

If your UK fund brings you over this maximum then the part of the lump sum in excess will be taxed in Ireland at 20%, whereas it could be tax free in the UK.

Stephanie: I know there are some important things to consider too on the flip side.

Let's maybe start with the impacts on accessing your pension?

Sinead: Sure. For all transfers received into our QROPS BOB after 6 April 2017, benefits can be paid once an individual is

- age 55 or over and,
- has ceased being a UK tax resident for at least 10 UK tax years

If the transfer was received into our QROPS BOB before 6 April 2017, benefits can be paid once an individual is

- over age 55, and
- has ceased being a UK tax resident for at least 5 UK tax years

If the benefits are paid outside of these rules, UK tax rules will apply and an individual may be subject to a UK tax charge.

There is no restriction on when Standard Life can receive a transfer to our QROPS BOB, the restriction is around when payment of benefits are made.

Stephanie: And if a customer wants to transfer their pension, what are the steps?

Sinead: There are a few steps which I'll outline now. But what I'd really like to reiterate is that we're here to help every step of the way. We have a step by step guide available, and we'll even help advisers with some of the forms which can be a bit tricky. Most advisers will only do a handful of QROPS cases. We're doing them all the time, so we have the experience to do a lot of the heavy lifting for advisers.

So you start with a Synergy Buy Out Bond application, then you request transfer options from the UK provider that includes the option to transfer overseas. You then submit these forms in to Standard Life for completion and once we receive the transfer amount from your UK provider, we'll convert it to Euro and set up your QROPS Synergy Buy Out Bond.

Stephanie: Where can people go for more information?

Sinead: For advisers, we have a really good FAQ document available on Brokerzone.ie

We also have a Customer brochure. It breaks the basic information, benefits, and things to consider into plain English. It's a really useful one to give customers confidence of the process they're going through.

And finally, but most importantly to the adviser network, we have the Technical Solutions team. We're available to help with these cases – whether that's giving guidance if an adviser has a case in the pipeline, to helping complete application forms to get a case over the line, we're available on the phone, by email or face-to-face in some circumstances.

Stephanie: Thanks Sinead. Hopefully that's given you some more insight on QROPS. If you need the fine detail, visit the Technical Solutions section on Brokerzone where you'll find all the facts you can rely on to help deliver better outcomes for your customers.

All that's left to say is that this podcast was recorded on 3 April 2019. All information is correct at time of recording. This podcast is intended for financial adviser use only and does not constitute advice. Standard Life International dac is regulated by the Central Bank of Ireland.

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