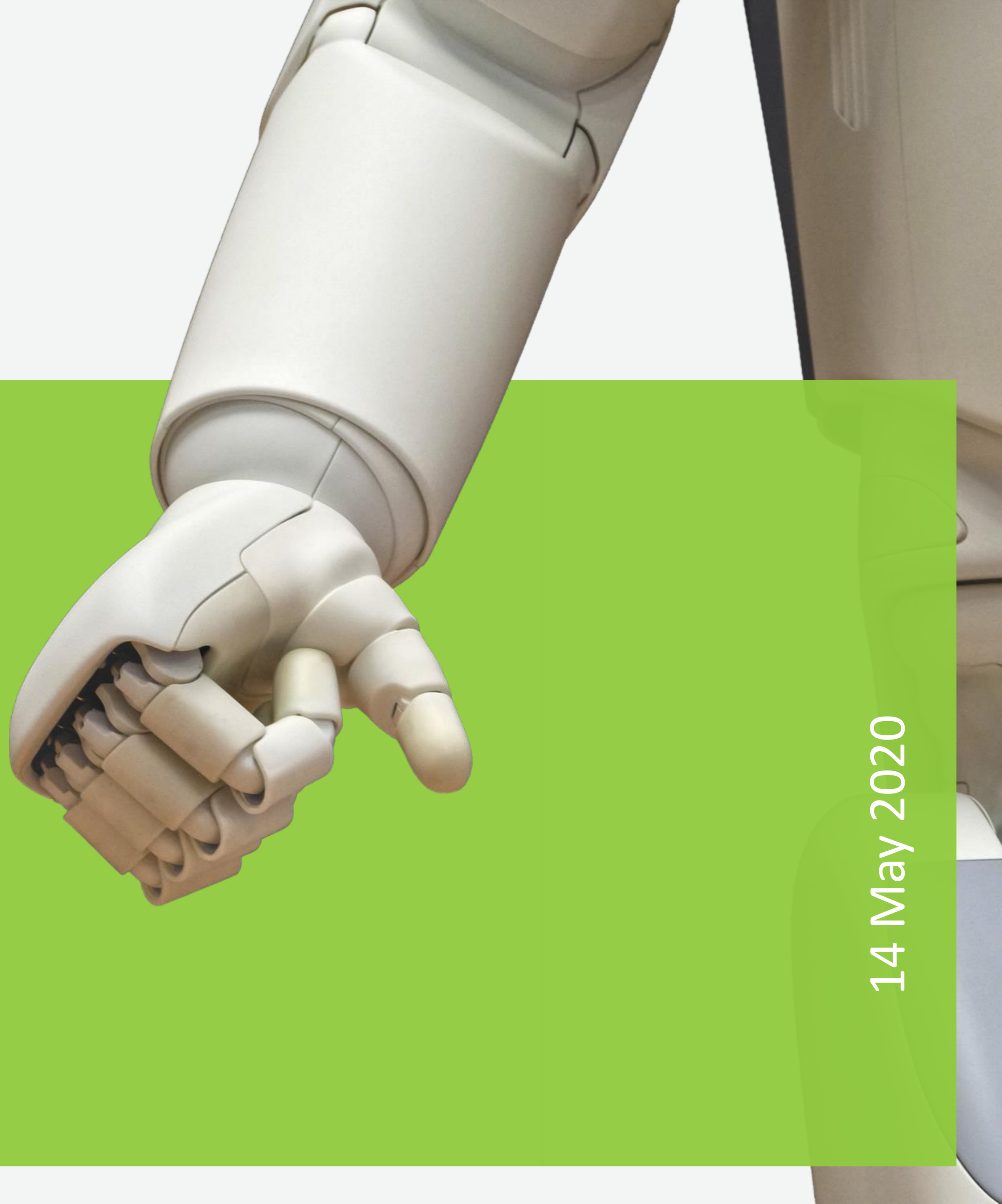
LightYear DOCS

UK Pension Transfers – from 0% to 80% taxes



14 May 2020

This webinar will commence at 10:00am AEDST. Please use the chat feature to ask any questions throughout the webinar.

UK Pensions and Transfers

- A member can take 25% of their pension account as a lump sum tax free from a UK pension plan
- Any remaining amount must be paid by way of a pension which is subject to tax at the normal income tax rates
- If living in Australia any UK pension income cannot be taxed in the UK under the UK – Australia double tax treaty - if the pension member is an Australian tax resident. However it will be taxed at marginal tax rates in Australia
- Alternatively a member of a pension plan living overseas may request their pension plan administrator in the UK transfer their accumulated pension amount to an overseas pension plan
- Let's look at a case study ….

The Mann Case Study

- John Mann came to Australia in 1994 at age 31 and at that time his UK pension plan was A$60,000 equivalent
- John is now aged 57 and his UK pension plan has increased to $450,000
- He is currently in Australian Super and has a balance there of $350,000
- John wants to bring his pension to Australia so he can retire at age 59
- What are the circumstances and what are some of the issues that John faces

3. Transfer process

3.1 The process of transferring from a registered pension scheme or a QROPS can be divided into the following stages:

1. Member requests transfer.
2. The scheme administrator/manager tells the member what information they need before they can make the transfer.
3. The member should give the scheme administrator/manager the required information.
4. Due diligence checks should be completed by the scheme administrator/manager before making the transfer.
5. The scheme administrator/manager establishes if the transfer is liable to the overseas transfer charge.
6. Calculation of the tax charges due on the transfer.
7. Transfer made.
8. Information reports and tax payment post transfer.

UK Transfer Process

The Australian Laws

- The UK Pension plan is not an Australian super fund: see section 295-95(2)
- The “to be” established QROPs SMSF from the LightYear Docs Hub would be an Australian superannuation fund
- John can elect to transfer his foreign super fund to Australia with any growth (less undeducted contributions) post his move to Australia being treated as assessable income to the Mann Family QROPs SMSF: section 295-200
- Alternatively it would be assessable income of John Mann and taxed at his marginal tax rates: Section 305-70 and 305-80
- The growth amount of $390,000 would not be a concessional or a non-concessional contribution: section 291-25

The Mann Case Study

- The $390,000 of growth post his tax residency in Australia if received as a lump sum would be fully assessable. The $60,000 prior to his transfer to Australia is tax free
- If John takes the UK pension then it is assessable income in Australia but not the UK
- John can transfer the pension, tax free in the UK if using the LightYear Docs QROPs SMSF but the $390,000 is assessable in the Fund so need to minimise the tax consequences
- The $60,000 of the transfer is non-concessional and can be transferred as under his NCC cap
- John can hold until retired and then commence a pension and if over age 60 it will be tax free in his hands and assets tax free in the Mann Family QROPs SMSF

The Solution – LightYear Docs QROPs

- The LightYear Docs QROPs SMSF trust deed meets all the relevant conditions of a QROP
- The deed will need to be executed and the SMSF registered as a QROP on the HMRC site
- The deed is only $99
- There is a lot of work to do and liaising with the UK pension plans so ensure that any charge is for work done – if you have not done before and then charge a set fee
- The UK administrators can be tough and watch out for Australian super taxes!!!

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