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Offshore Pensions

As outlined in the Autumn Statement, a number of changes will be introduced in relation to non-UK pensions.

- The removal of the 10% foreign pension deduction with effect from 6 April 2017.
- The extension of the period of non-UK residence before Member Payment Charges cease to apply to offshore pension schemes which have received UK tax relieved funds such as QROPS or former QROPS. The current period of 5 years is extended to 10 years but only in relation to transfers or contributions made after 5 April 2017.
- Provisions have been introduced to tax “relevant lump sum payments” received from foreign pension schemes. The new legislation specifically excludes those schemes already covered by existing legislation i.e. registered pension schemes, Relevant Non-UK Schemes (RNUKS) to which Member Payment Charges apply (i.e. QROPS or former QROPS), EFRBS or schemes falling within Disguised Remuneration.

  Lump sum payments from a RNUKS to which Member Payment Charges don’t apply (e.g. a QNUPS) are within the definition of a relevant lump sum.

  Relevant lump sums will be fully subject to tax from 6 April 2017 but with certain carve outs, including amounts attributable to lump sum rights which accrued pre 6 April 2017.

  There will also be a deduction for the amount that would not be liable to income tax if the scheme had been a registered pension scheme (e.g. a 25% tax free lump sum)

  Relevant lump sums will be taxable if the Member is UK resident or if he is deceased, if he was UK resident immediately before his death, even if the recipient beneficiary is non-UK resident.
- In line with previous announcements, a draft Regulation has now been published amending the 2006 QROPS Regulation confirming that the 70% income for life condition is to be removed from the requirements to be an “overseas pension scheme”. There will however be a new requirement that providers of non-occupational schemes must be regulated by a body in the country where the scheme is established if there is no body regulating the scheme itself.

  The fact that trustees are regulated by the GFSC in Guernsey is thought sufficient to enable Guernsey QROPS to meet this requirement although there is no specific guidance. It should be noted that the GFSC is currently consulting regarding the regulation of pensions, a move which would be welcomed but could take time to implement.

  As yet, there has been no move to amend the 2010 QNUPS Regulations in relation to the 70% income for life requirement.

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