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## **ROPS in Australia – Transferring a UK pension.**

An explanation of how ROPS in Australia are possible for people looking to transfer UK pension funds into an Australian superannuation fund.

Since April 2015, transfers from UK Pension Funds to Australian Superannuation funds have become difficult to complete due to reforms in the UK pension law regime. Please note, this article was originally written in January 2017, but has been updated with recent updates and changes.

Two of the most common questions over the past couple of years include whether you:

This article, looks at the answer to the above two questions, provides insight into what you can do if you have a UK pension and are considering your options regarding a ROPS in Australia.

### **Here are a series of significant points to consider:**

- you can transfer to an Australian ROPS if you are over the age of 55.
- still need to set up a Self-Managed Superannuation Fund (SMSF) to get around these changes.
- withdrawals from the fund are free of tax.
- transferring your UK pension to an Aussie superfund, can be a tax efficient transaction, as you will only pay tax on the growth in the value of the fund between when you arrive in Australia and when the transfer to a super fund takes place.
- you can consolidate all your UK pension funds into a single super fund

### **Limitations and restrictions of ROPS in Australia**

The amendment of the UK pension law regime on the 6 April 2015, effectively closed transfers from UK pension funds into Australian pension funds - **unless** the Australian superannuation fund did not allow a payment of a pension before the member reaches age 55 (or retirement) on the grounds of ill-health as defined under UK law.

However, in the vast majority of cases, superannuation funds within Australia do allow withdrawals in certain circumstances (such as severe financial hardship, total and permanent disablement and compassionate grounds). This meant that the most Australian superannuation funds (including SMSF's) did not comply with the UK Pension laws from 6 April 2015.



In practical terms, the opportunity to undertake a transfer from a UK pension fund now only applies to people over 55 who:

- have a SMSF; or
- become a member of a specialised complying public offer super fund which has become available.
- The SMSF and public offer Superannuation fund need to be classified as a Recognised Overseas Pension Scheme (ROPS) and be registered on the List of Recognised Overseas Pension Schemes which is available on the HMRC website.

### **Can expats legitimately transfer a UK Pension scheme to a ROPS in Australia?**

Some specific considerations you also need to consider includes the amount of the UK pension transfer which will count against your non-concessional cap. This depends on the following:

A yearly cap of AU\$110,000 per annum for members 65 or over but under 75. A bring forward rule applies to members under age 65 for the amount of \$330,000 over a three-year period.

A lifetime contribution limit of \$1.7 million will also apply. If your total super balance is over \$1.7 million (indexed annually at the CPI) .

Prescribed reporting and compliance requirements to the HMRC as part of the ROPS requirements . This obligation continues until 10 years has lapsed from the date of the transfer of UK sourced monies into the SMSF.

Commencing a SMSF is a big decision and should be considered as part of your overall goals and objectives. The amount of funds needed to commence a SMSF has been debated and the relevant regulators have set minimum benchmarks.

Ultimately, a SMSF can give you great flexibility and control in managing your superannuation pension fund, however, a simpler solution using the specialised retail superannuation fund might be preferable based on your needs.

Seeking independent advice from a qualified financial adviser who has extensive knowledge of the UK pension rules, ROPS requirements and also Australian pension is the best way forward as time is running out to take advantage of the higher non-concessional contributions cap until 30 June 2017.

**Wherever possible seek advice from an advisory firm regulated in both the UK and Australia**

