

The QROPS Personal Retirement Bond

Over the years, thousands of Irish people have migrated to the UK in search of work and, whilst there, paid into a company pension or private pension arrangement. Many of these people have now returned home and are considering whether they wish to transfer these pension benefits back to Ireland to provide for them in their retirement.

In addition many UK nationals who lived and worked in the UK for many years and built up pensions there have since moved to Ireland for work or family reasons. They also face a decision as to whether or not they should leave those pensions in the UK or transfer them to Ireland.

Not a decision to take lightly

Whether or not the benefits in the UK scheme can be transferred to Ireland is something that must be first discussed with the UK pension provider. However our experience has been that most private sector schemes can facilitate a transfer; whereas most public sector scheme cannot because they are unfunded.

In order to ensure there is no immediate tax liability when transferring these benefits to Ireland, the clients must use a product that is approved by the UK Revenue as a **Qualifying Recognised Overseas Pension Scheme (QROPS)**.

Zurich's Personal Retirement Bond is approved for this purpose and can accept transfers from company pension schemes and personal pension arrangements in the UK.

Even though the product is approved by HMRC as a QROPS which mitigates any initial negative tax consequence, the UK Revenue impose additional rules which mean that their Tax treatment can potentially follow the fund for a period after the transfer takes place.

Unauthorised Payment Tax

The UK Revenue reserve the right to have UK Taxation applied to the funds in a number of scenario's. The first of which is known as the **unauthorised payment tax** which can be between 40% and 55% of the value of the fund. This tax can be levied by the UK revenue if a payment is made from a QROPS and at the time of payment, the policyowner was resident in the UK in that year or any of the previous 10 UK Tax Years.

To protect against this scenario, **Zurich have decided not to accept any transfers from UK schemes to the Zurich QROPS Personal Retirement Bond if the member is resident in the UK in the current UK Tax Year or any of the previous 10 UK Tax Years**. It is important to note that the UK tax year for 2021/2022 runs from the 6 April 2021 and finish on 5 April 2022.

Overseas Transfer Tax

The second potential taxation is known as the **Overseas Transfer Tax**. This taxation can be up to 25% of the fund and can be applied at the point of the transfer of UK Pension Schemes to the QROPS and also within the 5 year window thereafter if the conditions required by HMRC are not satisfied.



The taxation **will not apply** if either of the below scenario's are satisfied

1. The member is resident in the same country in which the QROPS receiving the transfer is established, or
2. The member is resident in a country within the EEA and the QROPS is established in a country in the EEA.

As our QROPS is both resident in Ireland and the EU, and our clients must be resident in Ireland in order to take out a Zurich QROPS PRB, there is no potential for the Overseas Transfer Tax to be applicable at the point of transfer. However the Tax could become payable at any point in the five years thereafter if the client's circumstances change and as a result they do not satisfy one of the points above. If the client's intention is to remain resident in Ireland after the Transfer takes place, then there is no potential for the Overseas Transfer Tax to be applied.

Weighing up the Pros & Cons

Once the issues around taxation are successfully navigated, members will need to weigh up the pro's and cons of retaining their pension benefits in the UK or transfer to a QROPS in Ireland. If the benefits are to be retained in the UK, the member will need to consider the ongoing currency risk they will be subject to in retirement if funds are to remain in the UK in a Sterling denominated account. They will also need to consider the administrative issues in dealing with a provider in an overseas jurisdiction and keeping up to date with changes to UK pension legislation which could impact the funds available to them in Retirement. Transferring to the QROPS PRB alleviates these concerns as the funds will be managed in a Euro denominated account thereafter and subject to pension legislation in this state for administrative purposes.

Advice is essential

Brexit is also a concern for those individuals who wish to retire in Ireland but have pension benefits in the UK. As the current regime to transfer UK pension benefits overseas to jurisdictions such as Ireland is underpinned by EU pension legislation, it is unclear whether or not it will be possible to transfer these benefits to Ireland after Brexit.

Advice should be sought from a Qualified Financial Advisor or Tax Consultant in Ireland to discuss these issues and how they apply to the client's personal circumstances. In addition where the transfer is coming from a defined benefit scheme and the transfer value is £30,000 or higher, the UK pension scheme provider will require that advice is provided by an Independent Financial Advisor authorised by the Financial Conduct Authority in the UK.

The Irish Revenue have confirmed that UK pension funds transferred to a QROPS in Ireland can be ignored for the purposes of the Standard Fund Threshold as long as the tax relief on same funds was obtained by the member whilst living and working in the UK (and did not benefit from Irish Tax relief). As a result individuals spending part of their working lives in each jurisdiction could accrue a UK pension fund of up to £1 million (equivalent SFT in UK) and transfer the same pot to Ireland where they could then go and fund for a further €2 million in this state, without ever having to incur a Chargeable Excess Taxation in either jurisdiction.

Access under the QROPS is limited to age 55 to comply with UK pension rules. Thereafter retirement options under Zurich's Personal Retirement Bond mirror those applicable under Irish rules as these are compatible with the requirements HMRC impose, however salary and service lump sums are not available as these have been phased out in the UK. The member will be entitled to a Lump Sum of up to 25% of the value of the fund with an option to purchase an ARF/AMRF or pension annuity with the residual fund. It is important to note that lump sum's taken from a QROPS product in Ireland will be subject to the lifetime limit of €200,000 and taxable thereafter at the rates prescribed by the Irish Revenue.

Need Further Information?

If you have a query or require any further information, please do not hesitate to contact your **Zurich Broker Consultant** or the **Technical Services Team**
Tel: (01) 209 2020, or Email: techsupport@zurich.com

Ger Tyrell,
Technical Services, Zurich

Zurich Life Assurance plc

Zurich House, Frascati Road, Blackrock, Co. Dublin, Ireland.
Telephone: 01 283 1301 Fax: 01 283 1578 Website: www.zurich.ie
Zurich Life Assurance plc is regulated by the Central Bank of Ireland.

The information contained herein is based on Zurich Life's understanding of current Revenue practice as at January 2022 and may change in the future.

Intended for distribution within the Republic of Ireland.

GR: 6547 Print Ref: ZL CSA 42B 0122

