



Pension Tax Relief and Individuals with International Interests

There are rules around how much tax relief you can get on your contributions to a pension scheme.

UK pension schemes have a single set of tax relief rules that apply to everyone, no matter what type of scheme you are in or when you joined the scheme. There is also a single set of rules for UK members of overseas pension schemes. These rules affect anyone who is a member of a UK pension scheme or who works in the UK and is a member of an overseas pension scheme.

The pensions tax relief rules allow you to gain tax benefits when you save towards your retirement.

So how much tax relief can I get?

There is no limit on the amount you can put into your UK pension scheme – but there are limits on the tax relief.

You are also able, should you wish, to save in more than one UK pension scheme at the same time, for example a personal pension and an occupational pension.

For registered UK schemes, you can get tax relief on contributions of up to 100% of your UK earnings, or, if you are a non-taxpayer, every £100 of contributions you pay will receive a contribution of £25 from HMRC up to a combined total of £3,600 per tax year. You can contribute more than this, but your fund will not receive any further contributions from HMRC.

There is an annual allowance, set at £245,000 for the year 2009/10. If the increase in the value of your pension rights or your contributions, (plus any contributions from your employer) exceeds the annual allowance, you will be taxed at 40% on the excess.

There is also a lifetime allowance (LTA), which is set at £1.75 million for the year 2009/10. When you take your benefits, if your total pension savings exceed this, you will be taxed on any amount over £1.75 million. This 'Lifetime Allowance charge' is set at 25% if your additional savings are taken as a pension, and 55% if taken as a lump sum.

So most people can save as much as they can afford without worrying about limits.

So how does tax relief work?

For most people tax relief is paid automatically either

through their pay packet or by their pension scheme, so all you need to do to get tax relief is pay your pension contributions. In other cases, for example higher rate taxpayers or in relation to relief on contributions to overseas pension schemes, you may need to make a claim to obtain relief.

When can I take my pension?

From 6 April 2010 the earliest age at which you will be able to take your pension from a UK pension scheme will be 55, although many pension schemes may have a higher limit. However, protection is available for most pre-6 April 2006 members of pension schemes who have an agreed lower normal retirement age.

The rules mean that, subject to individual scheme rules, you can carry on working and take some or all of your pension, which allows you more flexibility in planning and managing your move to "full" retirement.

You must start taking your pension by age 75, although there are a number of options on how you can do this.

Will I be taxed on my pension?

Any pension that you receive is subject to income tax. If you become resident overseas, your UK tax liability may depend on the terms of a double taxation agreement between the UK and the country where you are resident.

In addition to a pension, however, most UK schemes offer a tax-free lump sum.

So what lump sum can I have?

This depends on the rules of your particular scheme, but the rules mean that all UK schemes can, if they choose, offer a tax-free lump sum of up to 25% of the member's pension fund when they first take their pension. If you are resident overseas at the time the lump sum is taken, the country where you are resident may tax it.

I'm thinking of moving abroad. What are my options?

You are able to remain a member of your UK pension scheme if your scheme rules allow it. There are no residence restrictions for tax purposes on members of UK registered pension schemes.

You can, alternatively, transfer your pension fund to an overseas scheme. You do not have to emigrate to do this. Transfers out of UK registered pension schemes are tested against the lifetime allowance (LTA) and any amounts transferred above your lifetime allowance are subject to a tax charge of 25%. Transfers below the LTA won't attract a tax charge on transfer as long as the overseas scheme is a 'qualifying recognised overseas pension scheme' (QROPS). After the transfer, other charges may also be applicable, because certain payments made out of overseas schemes containing funds which have benefited from UK tax reliefs may be liable to UK tax charges such as the annual allowance, lifetime allowance and unauthorised payment charges.

Transfers to an overseas pension scheme that is not a QROPS are treated as 'unauthorised payments' and are subject to tax charges.

A list of QROPS is available on our website at www.hmrc.gov.uk/pensionschemes/qrops.pdf

If you choose to leave your pension in a UK scheme, and you left the UK before 6 April 2006, but your UK pension later comes into payment, it will be subject to a test against the lifetime allowance.

I have moved to the UK from overseas. What can I do about my pension?

There are no UK tax restrictions on transferring into UK-registered pension schemes from abroad. If your transfer is from a recognised overseas pension scheme you may wish to consider claiming an enhanced LTA by registering with HMRC. Claims can be registered with HMRC using the *Enhanced Lifetime Allowance (International)* form (APSS 202).

If you are a member of an overseas pension scheme 'migrant member relief' (MMR) may enable you, when you come to work in the UK, to claim UK tax relief on the contributions that you make whilst resident here. You will get the same reliefs as if you were contributing to a UK registered pension scheme. Employers can also get UK tax relief on their contributions to the overseas scheme.

What do I need to do now?

The majority of people do not have to do anything other than decide whether they would like to take advantage of the pensions tax relief rules. **If you do want to increase your pension savings you may wish to take financial advice.**

Where can I find out more?

Visit our website at www.hmrc.gov.uk/pensionschemes to get the most up to date information on pensions tax including all the required forms and completion notes.

Look for guidance specifically written on international matters, including explanations of the terms used in this factsheet. This can be found at www.hmrc.gov.uk/manuals/rpsmanual/index.htm

Phone our Helpline on **0845 600 2622**
If ringing from overseas, please call on **+ 44 115 974 1600**
(Monday to Friday 09.00 to 17.00)