



HM Revenue  
& Customs

Policy paper

# **Reducing tax-free overseas transfers of tax relieved UK pensions**

Published 30 October 2024

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# Who is likely to be affected

Individuals who want to transfer part or all of their pension to a Qualifying Recognised Overseas Pension Schemes (QROPS) established in the European Economic Area (EEA) or Gibraltar.

Overseas Pension Schemes (OPS) and Recognised Overseas Pension Schemes (ROPS) established in the EEA.

Scheme administrators of a registered pension scheme who are not resident in the UK.

## General description of the measure

The Overseas Transfer Charge (OTC) is a 25% tax charge on transfers to QROPS, unless an exclusion from the charge applies.

At Autumn Budget 2024, the Government announced that they would remove the exclusion from the OTC of transfers to QROPS established in the EEA and Gibraltar.

The exclusion will no longer apply to transfers to QROPS established in the EEA and Gibraltar made on or after 30 October 2024.

The Government also announced that from 6 April 2025, the conditions of OPS and ROPS established in the EEA will be brought in line with OPS and ROPS established in the rest of the world, so that:

- OPS established in the EEA will be required to be regulated by a regulator of pension schemes in that country
- ROPS established in the EEA must be established in a country or territory with which the UK has a double taxation agreement providing for the exchange of information, or a Tax Information Exchange Agreement

From 6 April 2026, scheme administrators of registered pension schemes must be UK resident.

## Policy objective

Aligning the treatment of transfers to QROPS established in the EEA and Gibraltar with that of transfers to QROPS established in the rest of the world will help to ensure that some UK residents do not benefit from a double tax-

free allowance whilst remaining in the UK, and reduces the risk of around £1 billion of UK tax-relieved pension savings being transferred overseas across the scorecard.

Changing the conditions EEA schemes need to meet in order to become an OPS or ROPS will mean that they will have to meet the same conditions as those which are established anywhere else in the world.

Requiring scheme administrators of registered pension schemes to be UK resident will mean that all administrators of registered schemes will need to meet the same conditions.

## **Background to the measure**

The OTC was introduced in 2017 to tackle individuals reducing the UK tax due on their pension by transferring them overseas.

The OTC is a 25% tax charge which arises on transfers to QROPS unless, at the point of transfer, one of the following conditions is met:

- the member is resident in the same country as that in which the QROPS receiving the transfer is established
- the QROPS receiving the transfer is established in Gibraltar or a country within the EEA and the member is UK resident or resident in a country within the EEA
- the QROPS is set up by an international organisation for the purpose of providing benefits for, or in respect of, past service as an employee of the organisation and the member is an employee of that international organisation
- the QROPS is an overseas public service pension scheme and the member is an employee of an employer that participates in the scheme
- the QROPS is an occupational pension scheme and the member is an employee of a sponsoring employer under the scheme

The exclusion for transfers to QROPS in the EEA and Gibraltar was put in place to meet European Union (EU) freedom of movement principles at the time.

Following the abolition of the Lifetime Allowance (LTA) on 6 April 2024, 3 new allowances were introduced: the Lump Sum Allowance, the Lump Sum and Death Benefit Allowance, and the Overseas Transfer Allowance.

The Overseas Transfer Allowance does not interact with the other allowances. Pension tax legislation sets out the tax treatment of transfers to and payments made from QROPS. Legislation sets out that when a lump

sum is paid from a QROPS, it is tested against the lump sum allowance for that QROPS only. This means that a UK resident could transfer their pension to a QROPS established in the EEA or Gibraltar and benefit from 2 or more tax-free allowances.

The conditions EEA schemes need to meet to become an OPS or ROPS were put in place to meet EU Freedom of movement principles at the time.

The requirements for scheme administrators of registered pension schemes were also put in place to meet EU Freedom of movement principles at the time.

## **Detailed proposal**

### **Operative date**

The removal of the exclusion for transfers to QROPS established in the EEA and Gibraltar from the OTC will have effect from 30 October 2024.

The changes in the requirements for OPS and ROPS established in the EEA will have effect from 6 April 2025.

The requirement for registered pension schemes to have a UK resident scheme administrator will be from 6 April 2026.

### **Current law**

Provisions excluding recognised transfers to a QROPS in the EEA or Gibraltar from the Overseas Transfer Charge are set out in Section 244C Finance Act 2004.

The requirements for a scheme to be an Overseas Pension or a Recognised Overseas Pension Scheme are set out in Regulations 2 and 3 of The Pension Schemes (Categories of Country and Requirements for Overseas Pension Schemes and Recognised Overseas Pension Schemes) Regulations 2006 (SI 2006/206).

Provisions for persons who may be the scheme administrator of a registered pension scheme are set out in Section 270 Finance Act 2004.

# Proposed revisions

The following legislative revisions will be made as part of this measure:

- legislation will be introduced in Finance Bill 2024-25 to remove Section 244C of Finance Act 2004 to remove the exclusion of transfers to a QROPS in the EEA or Gibraltar from the overseas transfer charge
- changes regarding the requirements to be an Overseas Pension Scheme or Registered Overseas pension Scheme will be introduced in Finance Bill 2024-25 and will amend SI 2006/206 of The Pension Schemes (Categories of Country and Requirements for Overseas Pension Schemes and Recognised Overseas Pension Schemes) Regulations 2006
- legislation will be introduced in Finance Bill 2024-25 to amend Section 270 of Finance Act 2004, stipulating that persons who may be the scheme administrator of a registered pension scheme (meaning a scheme registered in the UK, but not necessarily established in the UK) must be a resident in the UK

# Summary of impacts

## Exchequer impact (£ million)

| 2024 to<br>2025 | 2025 to<br>2026 | 2026 to<br>2027 | 2027 to<br>2028 | 2028 to<br>2029 | 2029 to<br>2030 |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Negligible      | + 5             | + 5             | + 5             | + 5             | + 5             |

These figures are set out in Table 5.1 of Autumn Budget 2024 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Autumn Budget 2024.

## Economic impact

This measure is not expected to have any significant macroeconomic impacts.

## **Impact on individuals, households and families**

Removing the exclusion from the OTC for transfers to EEA or Gibraltar QROPS will impact some individuals who want to transfer their pension to a QROPS in the EEA or Gibraltar by reducing the options available for them to transfer their pension savings abroad tax-free. It will not affect individuals relocating to an EEA country or Gibraltar bringing their pension savings with them. This is because an exclusion will apply for members who are resident in the same country as that in which the QROPS receiving the transfer is established, providing the transfer is below the overseas transfer allowance.

Changing the requirements for OPS and ROPS could impact individuals if their scheme, or the scheme they are transferring to, can no longer meet the requirements to be OPS or ROPS (and hence cannot meet the requirements to be a Qualified Overseas Pension Scheme (QOPS) or QROPS). For instance, if a QROPS loses its status (due to no longer meeting the requirements to be an OPS) then members would no longer be able to transfer their funds from a registered pension scheme without incurring an unauthorised payment tax charge.

If a QOP loses its status, any further employer or member contributions to it could not receive tax relief under the migrant member relief provisions.

Changing the rules on who can be a scheme administrator for a registered pension scheme, could mean that some individuals might not be able to pay further funds into a scheme if the pension scheme does not appoint a UK resident pension scheme administrator and is deregistered.

The measure is not expected to have an impact on family formation, stability, or breakdown.

Customer experience is expected to remain broadly the same as this measure does not change how individuals interact with HMRC. It neither alters their existing responsibilities, nor imposes any new administrative obligations.

## **Equalities impacts**

HMRC do not hold any data about the protected characteristics of those impacted by this measure. Potential impacts to protected groups were considered and it is not anticipated that this measure will have any impacts on groups sharing protected characteristics.

## **Impact on business including civil society organisations**

This measure is expected to have a negligible impact on businesses administering pension schemes.

Removing the exclusion from the OTC where the receiving QROPS are established in the EEA or Gibraltar could mean that registered scheme administrators transferring to those QROPS might be liable to a scheme sanction charge for unauthorised payments. It may also affect transfers from QROPS, former QROPS and relieved relevant non-UK scheme (RNUKS) (a non-UK scheme that contains funds that have benefited from UK tax relief).

One-off costs could include familiarisation with legislation and training scheme administrators and scheme managers who may see an increase in reporting requirements in respect of the OTC. Continued costs will include an increased number of calculations due to the application of the OTC to a larger proportion of overseas transfers.

Changes to the requirements of OPS and ROPS will impact schemes if they don't meet the new requirements as they will stop being OPS or ROPS (and hence could not be QOPS or QROPS). In addition to this, if a scheme no longer meets the requirements to be an OPS or ROPS, they will no longer be eligible for a capital gains tax exemption on the disposal of an investment held for the purposes of being an OPS or ROPS.

If a scheme stops being a QROPS (due to no longer meeting the requirements to be an OPS), it could lose the capital gains tax exemption and transfers from a registered pension scheme, or from RNUKS within scope of the member payment charges, would incur an unauthorised payment charge. Losing status would also mean that the former QROPS can no longer receive recognised transfers.

One-off costs could include familiarisation with any regulatory requirements that newly apply to OPS and ROPS in the EEA. There are not expected to be any continuing costs for these businesses.

Changes to the rules on who can be the scheme administrator of a registered pension scheme will only impact those schemes with an appointed scheme administrator who is not a UK resident. The process for changing scheme administrators is established. There are also no new or ongoing administrative responsibilities once the new scheme administrator has been authorised. Only around 200 schemes could be affected, and they will be given sufficient time to appoint a new scheme administrator if necessary.

One-off costs could include familiarisation with the changes. There may be further one-off costs for the appointment of a new scheme administrator or the reappointment of pension scheme practitioners. This will only apply where the current scheme administrator does not meet the new requirements. There are not expected to be any continuing costs.

This measure is expected overall to have no impact on businesses' experience of dealing with HMRC as the change builds on existing processes for administering pension tax relief.

This measure is not expected to impact civil society organisations.

## **Operational impact (£ million) (HMRC or other)**

There will be operational impacts on HMRC caused by removal of the exclusion for transfers to QROPS established in the EEA and Gibraltar from the OTC. HMRC will need to make some changes to forms, guidance and processes to support this. There is no additional funding required for this.

There will be some operational impact on HMRC caused by the changes to the requirements of OPS and ROPS established in the EEA, to ensure that existing QROPS make the necessary declarations and undertakings. There is no additional funding required for this.

There will be an operational impact on HMRC caused by the need for some registered pension schemes to appoint new scheme administrators and possibly re-appoint pension scheme practitioners; however, this administrative impact will be minimal. There will be system changes required to ensure that only entities and individuals with a presence in the UK can register online to be a scheme administrator. The costs associated with these system changes have been estimated at £600,000.

## **Other impacts**

We expect the measure to have a negligible impact on the environment. Other impacts have been considered and none have been identified.

## **Monitoring and evaluation**

This measure will be kept under review through communication with pension scheme administrators.

## Further advice

If you have any questions about this change, contact the Pension Policy team in HMRC by email: [polycypensions@hmrc.gov.uk](mailto:polycypensions@hmrc.gov.uk).

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