HMRC - PTM113100 - International: Overview Of When UK Tax Charges Apply To Non-UK Schemes

Tax charges under Schedule 34 Finance Act 2004

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The Pensions Schemes (Application of UK Provisions to Relevant Non-UK Schemes) Regulations 2006 - SI 2006/207

Schedule 34 provides for certain tax charges that normally apply to, or in relation to registered pension schemes to also apply in certain circumstances to members of non-UK pension schemes that are not registered pension schemes.

This is necessary as there are circumstances in which a non-UK scheme that is not a registered pension scheme will contain funds that have benefited from UK tax relief similar to, or originating from a registered pension scheme. For example, where a migrant individual comes to the UK as a member of an overseas pension scheme, any subsequent contributions to their overseas scheme may benefit from UK tax relief similar to contributions to a registered pension scheme. Also, funds in an overseas pension scheme which have built up in a registered pension scheme before being transferred to the overseas pension scheme may equally have benefited from UK tax relief.

Schedule 34 applies three main types of charge to members of non-UK schemes. These are

the various charges referred to as the member payment charges and the taxable property unauthorised payment charge (see PTM113200),

the annual allowance charge (see PTM113300) and

the lifetime allowance charge (see PTM113400).

However, for members of non-UK pension schemes, these specific charges are targeted only at payments that relate to the part of the member’s overseas pension fund that has benefited from UK tax relief.

Schedule 34 modifies the way these specific charges operate to extend their application to these non-UK schemes. Further modifications are contained in The Pension Schemes (Application of UK Provisions to Relevant Non-UK Schemes) Regulations 2006 - SI 2006/207.

UK tax charges can apply to a non UK scheme if:

a member has benefited from migrant member relief (see PTM111200), transitional corresponding relief (see PTM111500), double taxation relief (see PTM111600), or relief under section 307 Income tax (Earnings and Pensions) Act 2003 (ITEPA), or

when a transfer has been made to a qualifying recognised overseas pension scheme (QROPS).

Details are shown in the table below.

The overseas transfer charge

Sections 244A to 244N Finance Act 2004

A transfer from a QROPS or former QROPS may be subject to the overseas transfer charge. This is a tax charge of 25% of the ‘transferred value’ of the transfer. The scheme manager and member are jointly and severally liable to pay the tax charge. Not all transfers are subject to the overseas transfer charge. For guidance on when this charge will apply go to PTM102200.

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Liability to the overseas transfer charge can also arise after a transfer to a QROPS due to a change in circumstances. ](https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm102400) explains when liability to the overseas transfer charge arises after a transfer.

Next page