

Transferring your pension benefit from a UK scheme to NGS Super

The UK rules relating to the transfer of UK pension benefits to overseas funds changed in 2006. Under these new rules overseas transfers can generally only be made to an overseas fund that has been accepted by the UK authorities as a Qualifying Recognised Overseas Pensions Scheme ("QROPS").

NGS Super is a QROPS, the QROPS reference number is QROPS 500139.

There are some important things you need to know about transferring your UK pension benefit to NGS Super. Please read this information sheet carefully. The trustee strongly recommends that you seek advice from a licensed, or appropriately authorised, financial adviser before making a decision to transfer.

Before the trustee can accept the transfer of your UK pension benefit you need to complete and return the form "Transferring your pension benefit from a UK scheme to NGS Super" available from NGS Super Customer Service on 1300 133 177 or refer to the NGS Super website www.ngssuper.com.au.

The trustee's obligations as a QROPS

One of the conditions of being a QROPS is that the trustee must report details of any payments made out of NGS Super in respect of members who transfer UK pension benefits in certain circumstances, whether or not those payments have any connection with your UK transfer. The trustee must report to the UK authorities payments made:

- if you are a UK resident at the time the payment is made; or
- if you have been a UK resident earlier in that UK tax year, or in any of the previous 5 UK tax years.

The trustee must report to the UK authorities payments made in a UK tax year (6 April to 5 April). So, you will need to provide the trustee with details of UK residency annually. If you've been a UK resident in the year or the previous 5 UK tax years, payments will be reported, if you haven't been a UK resident no payments will be reported.

The payments that must be reported

If you are a UK resident when a payment is made (or have been a UK resident in any of the previous 5 years) the trustee must report all payments made to or in respect of you. Payments from your NGS Super membership must be reported. This includes:

- cash payments made directly to you (as permitted under Australian superannuation rules)
- rollovers or transfers to another super fund
- payments made to beneficiaries in the event of your death
- contributions splitting payments
- payments required under Family Law court orders or agreements
- payments of contributions tax on employer or salary sacrifice contributions made in respect of you
- payments of insurance premiums (if any) from your super account in NGS Super.

Payments are deemed to come first from the UK benefit transferred until this amount is exhausted. This means that payments from any non-UK amounts in your NGS Super membership must be reported to the UK authorities as if the payment was made from your UK benefit. The UK authorities will treat such payments as a payment from your UK benefit.

You may have to pay UK tax on payments

If payments are made while you are a UK resident (or have been in any of the previous 5 UK tax years) a UK tax charge of up to 55% of the payment may be levied. This UK tax will apply to any payment that would have been "unauthorised" if it had been made from a UK scheme.

"Unauthorised payments" are defined in UK laws. We understand that the payments which would be regarded as "unauthorised" include:

- cash payments made directly to you (as permitted under Australian superannuation rules) where the amount paid is more than 25% of your UK benefit transferred
- rollovers or transfers to another super fund that is not a QROPS
- contributions splitting payments
- payments required under Family Law court orders or agreements

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Payments of contributions tax or insurance premiums are not “unauthorised” payments, but they must still be reported to the UK authorities.

The UK authorities will notify you should any tax be payable. Any tax bill will be sent directly to you and it is your responsibility to arrange payment of this tax.

When an Australian fund can accept transfers from UK pension schemes

Under Australian legislation, restrictions apply on when an Australian super fund can accept amounts transferred from UK pension schemes and how much can be accepted. An Australian super fund:

- cannot accept any part of a transfer from a UK pension scheme if any of the following apply:
 - you have not provided your Tax File Number to the fund
 - you are age 75 or more when the transfer is received, or
 - you are age 65 or more when the transfer is received and you have not worked at least 40 hours during any period of 30 consecutive days in the financial year in which the transfer is received.
- cannot accept any part of the amount transferred from a UK scheme that exceeds:
 - \$450,000, or
 - \$150,000 if you were aged 65 or more on the 1 July immediately prior to the date the transfer is received.

You may have to pay Australian tax on your transfer

Some Australian tax may be payable on the amount transferred from the UK. The tax rules relating to the transfer of super benefits from the UK are very complex and the trustee of NGS Super strongly recommends that you seek advice from a licensed, or appropriately authorised financial adviser, before making a decision to transfer. The description below is only a broad summary of the Australian tax rules and your financial adviser will be able to take your particular circumstances into account.

Transfers within 6 months of you becoming an Australian resident

If you transfer your UK benefit to an Australian fund within 6 months of becoming an Australian resident, generally no Australian tax will apply provided certain conditions are met. Australian tax may apply if, for example:

- the amount transferred exceeds your vested benefit in your UK pension scheme, or
- the amount you transferred plus any other non-concessional contributions made in the year exceed \$450,000 (\$150,000 if you are over age 65).

Transfers more than 6 months after you became an Australian resident

If you transfer your UK benefit more than 6 months after becoming an Australian resident, tax will also be payable on the growth in your UK benefit since you became an Australian resident – this isn’t new and is in addition to any tax payable because you exceed the non-concessional contributions limit.

If tax is payable on the growth in your UK benefit, and you have transferred all of your UK benefit to an Australian super fund (including NGS Super), you can elect to have this part of your benefit treated as a taxable contribution in the Australian super fund. This amount will be taxed at 15% in the super fund. (This option may not be available to you if the trustee is required to return any excess amount to your UK scheme.) You can also choose to pay this tax yourself by including the amount in your assessable income in your annual tax return - it will then be taxed at your marginal tax rate.

If you wish to have NGS Super pay this tax you must complete a *Choice to have your Australian fund pay tax on a foreign super transfer* form available from the ATO at www.ato.gov.au or by calling the ATO helpline on 13 10 20.

Non-concessional contributions include contributions made from your after-tax salary, transfers from overseas super funds, spouse contributions made for you, certain amounts allocated by the trustee and any concessional contributions over and above the concessional contributions limit. Non-concessional contributions are generally not subject to tax in the fund, however an annual limit of \$150,000 applies to the amount of any non-concessional contributions that can be made to super. If you are under age 65 at any time during a particular financial year, you can bring forward two financial years of non-concessional contributions and make total non-concessional contributions of up to \$450,000 over a three year period. Non-concessional contributions in excess of the relevant limit will be subject to Australian tax at 46.5%.

How we can help

The rules regarding the transfer of super benefits from the UK are complex, our Helpline consultants are available to answer your questions.

- if you have any queries, you can call NGS Super Customer Service Team on **1300 133 177**.

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