

Pre-Budget Report 2007 News - Overseas Pension Schemes (QROPS etc.)

by Gary Boal, 10th October 2007

Sometimes it is heartening to see that tax authorities can back-track on ridiculous tax policy. It is positively pleasing to see that this has now happened in the area of overseas pensions, following Alistair Darling's UK Pre Budget Report (PBR) on 9 October 2007.

As a result of industry lobbying, the crazy IHT situation created by the "pensions simplification(!)" regime introduced by Gordon Brown in Finance Act 2004 has been removed.

Until the PBR measures announced on 9 October, Qualifying Recognised Overseas Pension Schemes (QROPS) - these are Isle of Man and other overseas schemes actually registered with HMRC! - were from 2006 inexplicably being caught in the UK IHT net.

HM Revenue & Customs have, after lobbying, accepted that this discriminatory situation is untenable and the position has been rectified to a sensible one in the Pre Budget Report. In particular [PBR Note 14](#) "Pension Improvements" contains the following wording:

Inheritance tax on overseas pension schemes.

12. Legislation will be introduced in Finance Bill 2008 to restore inheritance tax (IHT) protection to UK tax-relieved savings held in overseas pension schemes. These savings will be provided with the IHT protection that is available to funds held in UK registered pension schemes.
13. The change will be backdated to have effect on and after 6th April 2006.

Boal & Co had placed a moratorium on UK pension transfers for most of our client schemes, and we are pleased to be able to say that this is lifted and we are back to "business as usual" for transfers from the UK to the Isle of Man.

We would like to place on record our thanks to Mr Brendan Harper for his considerable expertise and lobbying on behalf of the industry.

The following link will take you to the discussed report :

[2007 Pre-Budget Report and Comprehensive Spending Review, Pensions: Technical Improvements \(PBRN 14\)](#)