

Overseas employer financed retirement benefit schemes

Tax implications for UK expatriates returning home

The A10 HMRC Extra-Statutory Concession (ESC) puts expatriates who have the intention of returning to the UK, at some time in the future, in a privileged position. The HMRC has made this concession so that expatriates have the unique opportunity of arranging their affairs when they return to the UK.



A10 lump sums paid under overseas pension plans

Income tax is not charged on lump sum relevant benefits receivable by an employee (or by his personal representatives or any dependant of his) from an overseas employer financed retirement benefits scheme where the employee's overseas service comprises:

- not less than 75% of his total service in that employment; or
- the whole of the last 10 years of his service in that employment, where total service exceeds 10 years; or
- not less than 50% of his total service in that employment, including any 10 of the last 20 years, where total service exceeds 20 years.

If an employee's overseas service is less than described, relief from income tax will be given by reducing the amount of the lump sum which would otherwise be chargeable by the same proportion as the overseas service bears to the employee's total service in that employment.

In addition, income tax is not charged on lump sum relevant benefits receivable by an employee (or by his personal representatives or any dependant of his) from any superannuation fund accepted as being within section 615(6) ICTA 1988.

For the purposes of this concession the term 'relevant benefits' has the meaning given in section 612 ICTA 1988 and the term 'overseas service' shall be construed in accordance with the definition of 'foreign service' found at paragraph 10 schedule 11 ICTA 1988.

What it means to returning expatriates

Under the current UK A10 HMRC Concession, income tax is not charged on a lump sum taken from an overseas employer financed retirement benefits scheme by an employee who has returned to the UK – providing they meet the qualifying criteria. Even if the employee does not fully qualify under these rules, they may be able to receive income tax relief on a pro-rata basis. If they have invested in an overseas employer financed retirement benefits scheme and are returning to the UK, they can expect to receive the following benefits:

- no restrictions on the amount they can invest whilst overseas.
- no restrictions on the date on which they have selected to either retire or to take the proceeds.

On returning home employees have a further choice:

- leave their investment to grow, offshore, in a tax efficient environment; or
- take the benefits as it suits them.

Employers can benefit too. Simply put, it allows them to provide future financial security for an employee, and at no additional cost to the company.

Don't let the opportunity pass by!
When it comes to saving for retirement
– time is money.

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