

Premier Pensions Management

Legislation Update : 13/06

Protected Rights / Contracting Out

1. Individuals can now take their protected rights investment at any time, as long as they qualify for retirement under statutory legislation.

If an individual does take his protected rights Form CA1594 needs to be issued to HMRC.

2. On serious ill health commutation, if an individual is married or has a civil partner, they can only receive 50% of the protected rights as cash. 50% must go to purchase a pension for the surviving partner on the member's death.

The necessary CA Form also has to be completed.

The same is applicable to salary related schemes though a CA Form is not needed.

Overseas Transfers

Companies need to consider individuals who seek to transfer their benefits into an overseas arrangement as the Rules have changed post A-DAY.

Prior to A-DAY the procedure for transferring to an overseas arrangement would have been a prolonged process and needed to include for example, confirmation that the member had left the UK on a permanent basis.

From A-DAY transfers can only be made to a Qualifying Recognised Overseas Pension Scheme. The onus is on the overseas scheme trustees/administrator to apply to HMRC for approval. A standard form is available from the HMRC web-site. A member does not have a statutory right to an overseas scheme that is not a Qualifying Recognised Overseas Pension Scheme.

Transfers to an overseas scheme are now deemed to be a Crystallisation Event and if the member's remaining Life Time Allowance (LTA) is exceeded, then tax will be charged on the excess. Transfers paid to a scheme that is not recognised will be treated as an Unauthorised payment and will generate a tax charge to both the Scheme and the member.

Transfers to the majority of US schemes are still prohibited post A-DAY.