

Super topics

Transferring your UK super savings

If you're an Australian resident and want to transfer your United Kingdom (UK) pension savings, AustralianSuper is a Qualifying Recognised Overseas Pension Scheme (QROPS). This means that no extra UK tax may apply when transferring your money to AustralianSuper

Transferring a UK pension benefit to AustralianSuper

Transfers out of UK pension schemes are tested against the 'UK lifetime allowance' - £1.6 million in the 2007-08 financial year¹. Amounts below this lifetime allowance won't be taxed in the UK on transfers to a Qualifying Recognised Overseas Pension Scheme (QROPS). However, any amounts transferred that exceed the lifetime allowance are taxed at 25% in the UK. Other charges may apply after the transfer.

- If you don't make a choice, you will pay tax at your marginal tax rate. The tax owing will be calculated as part of your income tax return for that financial year.

The assessable amount

The investment earnings that have accrued in your account since the day you became an Australian resident are taxed in Australia. The earnings accrued up to the date that you transfer the money are your assessable amount.

Transfers to non-QROPS funds

Transfers to non-QROPS funds are treated as 'unauthorised payments' in the UK, taxed at 40%. If the amount transferred in any 12-month period is 25% or more of your UK pension balance, an extra 15% unauthorised payments surcharge applies. So total tax could be up to 55%.

What happens once my money is transferred to AustralianSuper?

Generally, within Australia no tax is payable provided that the transfer comes from a UK pension fund **within six months** of you becoming an Australian resident. If you have been an Australian resident for more than 6 months, tax is payable on the 'assessable amount'.

What does it mean if my transfer includes an assessable amount?

You have two options for paying tax on the assessable amount:

- You can nominate AustralianSuper to pay the tax on your behalf - at the Fund's concession rate of 15%; or

How will Australia's 15% contributions tax affect me?

If you transfer your UK pension benefit within six months of becoming an Australian resident, the Australian Taxation Office (ATO) treats the total transfer amount as an undeducted (or after-tax) contribution, so no contributions tax is payable (From 1 July 2007, it will be referred to as the tax exempt component). If you transfer your UK pension benefit more than six months after you become an Australian resident, tax will be payable, but only on the assessable amount. The remainder of your benefit is still considered an undeducted contribution.

Have you been a UK tax resident in the past five years?

Under the UK pension rules any payments made from your UK transferred super fund will be treated as 'unauthorised payments' while you are still considered to be a UK tax resident (you are no longer considered a UK tax resident after five years of not living in the UK). Unauthorised payments attract a 40% unauthorised payments charge and, possibly a further 15% unauthorised payments charge.

¹ The lifetime allowance is set by UK Treasury each year.

A rollover from the UK to an Australian QROPS fund is not considered a payment. Only cash payments made from your UK transferred super fund in Australia or rollovers to a non QROPS fund will attach an unauthorised payments charge if you are still considered to be a UK resident.

Contribution limits

The Government has introduced a cap on the amount of after-tax contributions, including overseas transfers. From 1 July 2007, the cap will be \$150,000 a year - this limit can be averaged over three years to allow you to make larger one-off payments of up to \$450,000.

How do I arrange a transfer?

- Step 1** Contact AustralianSuper and we will provide you with the documentation to initiate the transfer.
You may wish to contact your UK pension fund and advise them of your request to transfer. Ask the Fund to tell you the balance of your UK pension as at the date you became an Australian resident – you'll need this information later to complete the paperwork.
- Step 2** Your UK pension fund will send you the forms they need you to complete to arrange the transfer. AustralianSuper can complete these forms for you as the information required generally relates to whether the fund you are transferring your pension to is a QROPS fund.
- Step 3** Assuming that the UK pension fund paperwork is complete, your UK fund will send the transfer amount by cheque to AustralianSuper. **Please note**, it can take six to eight weeks to process the payment while the UK and Australian financial institutions involved arrange cheque clearance to release the money to AustralianSuper.
- Step 4** AustralianSuper will apply this amount to your account as an undeducted (tax-free) contribution in Australian dollars.

Please note that if you have been a UK tax resident in any of the preceding five years, you will be required to open a separate account for your UK transfer amount, as AustralianSuper have reporting obligations on this amount during this time. AustralianSuper will send you a Product Disclosure Statement and application form to open a new account. Your

AustralianSuper accounts can be joined once it has been more than five years since you were a UK tax resident.

- Step 5** AustralianSuper will advise you when we have received your transferred benefit. We will also send you an ATO form called *Option for an Australian superannuation fund to pay tax on payment from overseas fund* for you to complete and return to us.
- Step 6** Calculate your assessable amount (the amount that is taxed) and write this on the ATO form. To work out your assessable amount, subtract your UK pension account balance on the day you became an Australian resident from the total amount transferred (the difference between the two figures is your investment earnings since becoming an Australian resident). If you have any questions about calculating your assessable amount, please call the ATO information line on 13 10 20.

Make a copy of the completed form for your records. The ATO requires that you keep the copy for at least five years for audit purposes. Please return the completed form to AustralianSuper.

- Step 7** After receiving your ATO form, AustralianSuper will update your account to reflect the correct tax components.

Accessing your benefit from AustralianSuper

The entire amount transferred from your previous Fund will be subject to preservation, which is different to UK release provisions. For more information please refer to information titled *Accessing your benefits* available in our Product Disclosure Statement or from our website at www.australiansuper.com

For more information

Visit the ATO's superannuation website at www.ato.gov.au/super or phone the ATO Information line on 13 10 20. Before making any decision to transfer your pension benefits you should consider seeking financial and/or taxation advice from a qualified adviser.

For further information about AustralianSuper, visit our website at www.australiansuper.com, or call 1300 300 273.