Further information

For further information on the issues raised here or to discuss employment issues more generally, please contact one of the following or your usual EY contact:

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The Finance Bill 2017 draft clauses published on Monday, 5 December included a number of measures designed to change the taxation of payments from overseas pension schemes. The intended aim is to more closely align the UK tax treatment of payments from overseas pension schemes with the taxation of payments from UK registered pension schemes, the result being that the provisions only appear to impact individuals who are UK resident when they receive payment.

In addition to the above, and at first sight a relatively minor inclusion in the Finance Bill, a new measure will effectively mean that overseas pension plans known as ‘Section 615 schemes’ will no longer be effective from 6 April 2017. Given legislative effect by what now is s615 ICTA1988, these pension schemes have been on the statute books for many decades and in many respects have been under-utilised by employers. However, in recent years the flexibility of these schemes has made their use more popular for employers with a mobile workforce. It is likely that many UK multinationals will have implemented a Section 615 scheme on the basis that these plans provide a valuable benefit for employers wishing to incentivise staff whilst on secondment overseas.

What has changed?

Following publication of the draft Finance Bill 2017, Section 615 pension schemes established by UK employers for employees working outside of the UK will no longer be able to obtain special tax treatment after 6 April 2017. Schemes which meet the conditions at 6 April
2017 will continue to benefit from the existing beneficial treatment as long as they receive no further contributions from that date.

From 6 April 2017, plans receiving any contributions will not be classed as Section 615 schemes but as an Employer Financed Retirement Benefit Scheme (EFRBS). If the plan closes to contributions and remains a Section 615 scheme then all of the existing UK tax advantages are maintained. If Section 615 scheme status is lost, most payments to UK residents will be subject to UK tax in full.

**Actions to consider**

- Check your organisation's international retirement arrangements to see if you have any schemes accepted under Section 615 ICTA1988
- If you have a Section 615 scheme, you will likely need to close the plan to new contributions before 5 April 2017 to preserve the tax advantages for existing members
- You may also need to consider future options for current contributions and communicate any changes to members
- This will not just affect your mobile employees as the plan will need to close to contributions from all members

**How we can help**

Our global benefits team advises on international, overseas and cross-border pensions to facilitate compliance with relevant legislation. We design plans which deliver benefits for the employee and manage costs for the employer. Benefitting from a cross disciplinary focus, we:

- Advise on global retirement strategy with international plan options and taxation considerations to support your mobility programme
- Advise on plan design including structure and location suitable for your globally mobile employees
- Review and advise on current plans - are they fit for purpose?
- Design and set up of new arrangements with transfer considerations
- Advise on the tax and policy issues as well as tax risks for employees moving between local and international plans and the implications of tax equalization
- Provide governance services for international pension arrangements