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Wealth & Advisory

Overseas pension transfers

Transferring your overseas pension funds into an Australian super fund can simplify your finances and provide tax and Centrelink benefits.

Benefits

- It may be easier for you to keep track of your retirement savings if they are all in one account
- Australian superannuation is tax-free after age 60 which is simple and may be more tax-effective
- Australian pensions may be assessed more favourably under the Centrelink/Veterans' Affairs (DVA) income test treatment which may create potential for increased Age Pension entitlement.

How it works

If you have worked overseas, you may have some money in an overseas pension fund. Some countries (but not all) allow these funds to be transferred into an Australian superannuation fund.

If your overseas fund does allow a transfer to Australia, you should measure the costs of transfer against the benefits. The costs of the transfer can include withdrawal fees, tax and currency fluctuations.

Transfers of overseas pension funds can take several months to process. This means the account balance today may be different than at the time of transfer because of investment earnings and currency fluctuations.

Australian tax implications

If an overseas pension fund is transferred to Australia, it will not be taxed in Australia if the amount is received in Australia within six months of you becoming an Australian tax resident.

If the transfer occurs more than six months after you become an Australian tax resident, the growth portion of the transfer is taxable. The growth portion is essentially the earnings since you became an Australian tax resident. It is calculated as the total transfer amount less the value at the date you became an Australian resident.

Because transfers to Australia can often take several months, most transfers will be received after the six month period and will therefore have a taxable amount.

The taxable amount is included in your assessable income where it will be taxed at your marginal tax rate. However, if you transfer the full balance of your overseas pension fund, you can elect to have the taxable amount taxed within your superannuation fund at the super fund rate of 15%.

Superannuation contribution caps

The transfer is considered a personal superannuation contribution which means you must be eligible to contribute and the contribution will count towards your contribution caps.

If you elect to have tax deducted within the fund, only the non-taxable portion will count towards the non-concessional contribution cap. But if you pay the tax personally in your tax return, the full transfer amount is included.

The superannuation fund cannot accept a transfer that exceeds the non-concessional contribution cap.

From 1 July 2017 *your annual NCC cap will reduce from $180,000 to $100,000. You must have total super savings of less than $1.6 million on the 30th of June to be eligible to make any NCCs the following year.*

If you are under age 65 on the 1st of July you are still able to bring forward two years of non-concessional contributions, enabling you to contribute up to three years of contributions (maximum $300,000) in one year with no further contributions in the next two years. This limit will reduce if your total superannuation savings are more than $1.4 million on the 30th of June prior to the financial year in which you trigger the bring-forward rule. These rules are complex so it is important that you get advice.

Transfers from the UK

Transfers from the UK are only allowed if the Australian superannuation fund is a Qualified Recognised Overseas Pension Scheme (QROPS). Recent changes to UK laws have made it difficult for superannuation funds to qualify as a QROPS. You should check details with the fund you wish to make a transfer to.

The UK do not tax amounts transferred into a QROPS if the amount is below your lifetime allowance. Amounts in excess of your lifetime allowance are taxed by the UK at the rate of 25%. If money is transferred to a fund that is not a QROPS, the UK will charge penalty tax at the rate of 40%, with an additional tax applying if more than 25% of your balance is transferred to a non-ROPS in a 12 month period.

If you have lived in the UK in the past five years, limitations will apply to withdrawals and rollovers from the Australian superannuation fund. These limitations will exist until five years has elapsed since you last lived in the UK.

Consequences

- Withdrawing from your overseas pension fund may cause you to lose benefits associated with that fund, such as insurance or death benefit options. You also may incur fees and/or taxes for early withdrawal.
- Not all overseas funds will allow a transfer to Australia, and not all Australian superannuation funds can accept overseas funds. You should check with both funds to ensure the transfer can take place.
- Contributions to Australian superannuation (including overseas transfers) are preserved until a condition of release is met.
- If you exceed your NCC cap, tax penalties may apply.
- From 1 July 2017 if you have total superannuation savings of $1.6 million or more at 30 June you will not be eligible to make non-concessional contributions.
- From 1 July 2017 the total amount of super monies used to start pensions will be capped at $1.6 million. All superannuation income streams are assessed against the transfer balance cap regardless of when it first commenced. You can retain excess amounts in your accumulation accounts where tax at 15% continues to apply.
- Fees may be charged for your superannuation contributions. You should check the details in the fee section of your Statement of Advice and the Product Disclosure Statement (PDS) for your superannuation fund.

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