



How to proceed with the transfer:

1. Complete the Transfer of United Kingdom (UK) Pension Benefit form and return this to Mercy Super. Also attach a separate letter (draft template is enclosed with this facts sheet) asking the UK Pension Scheme to advise you the balance of your UK pension at the date you became an Australian resident – you'll need this to complete the ATO form mentioned in step 6 below ;
2. Mercy Super will send your completed form and letter to the UK Pension Scheme. It is likely that they will then send their own form which will require information from yourself and Mercy Super.
3. Complete the UK Pension scheme forms and send these to Mercy Super for completion. Mercy Super will then forward these forms to your UK Pension Scheme along with a letter titled: "Information for the Transferring UK Pension Scheme", to assist in obtaining the transfer by international bank transfer;
4. Once Mercy Super have received the transfer, Mercy Super will send you an Australian Taxation Office form (NAT 11724) titled: "Tax payable on a foreign super transfer". Tax will be payable on the growth component of the transfer amount (represented by the growth in the value of your benefit between the time you became an Australian resident and the time the transfer is received), if you have been an Australian resident for longer than six months at the date the transfer is received. If the transfer is received within six months of you becoming an Australian resident, the transfer is tax free;
5. If the transfer has been received within six months of you becoming an Australian resident, step 4 will not be necessary;
6. If the transfer has been received after six months of you becoming an Australian resident, then you have two options in regard to the tax payable on the growth component of the transferred amount:
 - a. you can include this growth component in your assessable income for the year, and pay tax at your marginal tax rate plus medicare levy, or
 - b. you can choose to have this treated as assessable income of the fund, by completing form NAT 11724. Tax of 15% of the growth component will be deducted from the transferred amount. Please take a copy of the completed form before you return this to Mercy Super, as you must keep this form for at least five years.
7. Once Mercy Super has received your instructions in writing, Mercy Super will allocate the amount received to your membership account. These instructions from you will be either:
 - a. advice that you intend to include the growth component as assessable income for the year in your Tax Return to the ATO; or
 - b. return of the completed form NAT 11724, to enable Mercy Super to deduct tax at 15% of the growth component.

The Trustee of the Fund is Mercy Super Pty Ltd (ABN 98 056 047 324) which is a Registered Superannuation Entity holding RSE Licence No.L0001359 and is a corporate Authorised Representative (No. 268897) of AFSL No. 238507 under which it is authorised to provide general financial product advice in relation to superannuation. The information provided is of a general nature only and does not take into account the financial situation, objectives or needs of any individual. Accordingly, before acting on the information, the appropriateness of advice should be considered in the context of the individual's objectives, financial situation and needs. Please refer to the Fund's Member Booklets (Product Disclosure Statements) and the insurer's (MLC Pty Ltd ABN 90 000 000 402) Policy Documents before acting on this information. If specific financial advice is required, you may also consider contacting a licensed financial adviser.

FACTSHEET

Transferring your UK pension to Mercy Super

If you're an Australian resident who is eligible to contribute to super and you want to transfer your United Kingdom pension scheme into your Mercy Super account, then this facts sheet will be relevant to you.

Can Mercy Super accept your UK benefit?

Yes – Mercy Super is registered as a Qualifying Recognised Overseas Pension Scheme (QROPS) with Her Majesty's Revenue & Customs (HMRC). Mercy Super's reference number is: **QROPS500964** (go to: www.hmrc.gov.uk to view a list of approved QROPS).

How does it work?

Transfers from UK pension schemes are tested against the UK Lifetime Allowance. (This is being reduced from \$1.8 million to \$1.5 million from 6 April 2012). As Mercy Super is a QROPS fund, any transfer amounts below the UK Lifetime Allowance won't be taxed by the UK HMRC.

If the transfer is made to an Australian super fund which is not recognised as a QROPS, the UK tax rate on the amount transferred could be as high as 55%.

Australian Tax Treatment of UK Benefits

If the transfer is received within six months of you becoming an Australian resident, the transfer amount is tax free and treated as non-concessional contributions (see below for contributions caps).

If you have been an Australian resident for longer than six months when the transfer is received, any "growth component" of your UK benefit (represented by the growth in the value of your benefit between the time you became an Australian resident and the time the transfer is received) may be treated as assessable income in Australia and taxed at your marginal tax rate plus medicare levy. (refer to "How to proceed with the transfer" at the end of this facts sheet for information on how the growth component is determined).

However, if you have transferred the entire balance of your UK benefit, you can elect to have the growth component treated as assessable income to Mercy Super, which will be taxed at 15%. To make this election, you need to complete the "Tax payable on a foreign super transfer" form (NAT 11724) and return this to Mercy Super. Mercy Super will then deduct 15% of the assessable component from the transfer amount.

Please note that any assessable component is not counted against the contribution caps, however the balance of the amount transferred will be treated as a non-concessional contribution and count towards your non-concessional contributions cap.

Contributions Caps

Concessional Contributions Cap

Concessional contributions include employer contributions (including contributions made under salary sacrifice arrangements) and personal contributions claimed as a tax deduction by a self-employed person.

The cap for 2010/2011 is \$25,000 which is indexed in line with average weekly ordinary time earnings (AWOTE), in increments of \$5,000 (rounded down).

A transitional concessional contributions cap applies until 30 June 2012 for people aged 50 or over. If you are aged 50 or over, the annual cap is \$50,000 for 2010/2011, 2011/2012 financial years. The transitional cap is not indexed.

If you have more than one fund, all concessional contributions made to all funds are added together and count towards the cap.

Non-concessional Contributions Cap

Non-concessional contributions include personal contributions for which you cannot claim a tax deduction (including after tax voluntary contributions, spouse contributions and the tax free component of a transfer from a UK pension scheme).

The cap for 2010/2011 is \$150,000.

People under 65 years of age can "bring forward" up to three years of contributions so that they could contribute up to \$450,000 in a single year with no non-concessional contributions made in the subsequent two financial years.

It is important to note that Australian super funds are unable to accept UK transfer amounts that are in excess of your non-concessional contributions cap (either \$150,000 or \$450,000 if under age 65).

What happens when a Benefit is paid?

If, after an amount is transferred from your UK pension scheme, a benefit is paid by Mercy Super, that payment must be reported to the UK HMRC. Any payments from your account are firstly considered to be from your UK pension transfer amount. These payments from your account include: lump sum cash payments, transfers (rollovers) to other super funds, family law payment splits, spouse contribution splits, ATO release authority payments, and income stream payments.

The UK HMRC may impose an "unauthorised payments" charge (40 %) and surcharge (15%) on these payments unless you are not a tax resident in the UK when the payment is made, and have not been a UK tax resident in that year, nor in any of the previous five UK tax years.

Before directing Mercy Super to subsequently transfer your benefits to another Australian super fund, it is important that you check that this other fund is a registered QROPS fund with HMRC.