The PK Guide to Drawing Pensions from outside the UK

There may be significant restrictions on how benefits may be taken from a UK pension if the policy holder is resident outside the UK at the time.

We've put together this guide to help people with some of the main considerations.

For most people, there will be two aspects to this:

- Your State Pension entitlement
- Your Workplace Pensions

The UK State Pension

Under the current rules, you need to have paid at least 10 years' qualifying National Insurance contributions to have any State Pension entitlement and 35 years to receive the full State Pension.

More information regarding the UK State Pension may be found here: https://www.gov.uk/new-state-pension

You may claim the State Pension if you live abroad but you may not receive the annual increases that would apply to UK-resident pensioners. Annual increases apply to:

- EEA countries and Switzerland
- Some other countries that have entered into an agreement with the UK Government

You can view the full list of such countries here: https://www.gov.uk/state-pension-if-you-retire-abroad

There's also a description on that page of the process you'll need to follow to claim your pension.

The UK State Pension may be paid to a bank account either in the UK or one that you hold overseas.

Personal and Workplace Pensions

The situation here is very different. Although where you reside doesn't affect your entitlement to claim any pensions that you have accumulated, there are some practical considerations.

Firstly, your pension provider may not be able to make payments to a bank account outside the UK. If that is the case, then you are likely to have two options:

- Maintain a UK based bank account after you have left the country – this will not be achievable with all banks.
- Transfer your pension funds into a pension that does allow payments overseas.

After you have left the UK, it will be very difficult or even impossible to take out a new pension contract so individuals should consider their options carefully before leaving the UK.

Opening a new UK based bank account after you have left the UK is also likely to be hard to achieve.

The restrictions on individuals effecting new pension contracts may also impact the way that you can take benefits. For instance, you may not be able to purchase an annuity and instead have to take benefits using Flexi Access Drawdown or UFPLS – for details of the various ways that retirement benefits may be taken from UK pensions please see the PK Guide to Taking Income In Retirement in our Literature Library.

Defined Benefit ('Final Salary' or 'Career Average' type arrangements)

Your options with this type of scheme are going to be determined by the individual scheme and so, to understand whether your own scheme benefits can be paid abroad, you should contact the scheme administrators. Some larger government-sponsored schemes such as NHS and Civil Service do offer this facility.

There are significant restrictions on whether it is possible to transfer out of Defined Benefit schemes. Some schemes don't allow this at all and, for those that do, it is generally considered unwise, with very few exceptions, to do so due to the high levels of guarantee offered by such schemes.

Taxation of UK Pensions for those living abroad

HMRC will view the income taken from a UK pension as UK taxable income. How this is treated for tax purposes by your resident country will depend a great deal on whether that country has a double taxation agreement with the UK.

The UK government maintain a webpage that deals with this: https://www.gov.uk/tax-uk-income-live-abroad/taxed-twice

In some cases, where a Double Taxation agreement exists, it may be possible for your pension provider to pay you gross of tax and for you to have any tax due paid in your country of residence.

HMRC have a helpline for non-UK residents with UK Income Tax queries: 0300 322 7657.

Alternative option – Transfer your pot overseas.

In some cases, it is possible to transfer a UK pension into a pension abroad. The UK Government maintain a regularly updated list of the various pensions around the world that are registered to receive a transfer from a UK pension: https://www.gov.uk/guidance/check-the-recognised-overseas-pension-schemes-notification-list

Even if you are moving to a country where there are pensions that can receive a transfer, you may not qualify to become a member of such a pension scheme. Some, for instance may be limited to employees of a particular company.

NB TAX: you should ensure that you understand the taxation implications of any transfer of pension funds overseas as tax rules may vary significantly from one country to another.

When can I take my benefits?

For your own, or Workplace Pensions, the standard earliest age that you can take any benefits is age 55, rising to 57 in 2028.

For the UK State Pension, the pension age is 66, rising to 67 in 2028. This is due to rise to 68 between 2044 and 2046 – this may change in the future as the UK Government reviews State Pension Age regularly.

Please Note: This is potentially a very complex area, and we have just given here a broad overview of some of the options and considerations. We would urge individuals who are considering retiring abroad to look very carefully at their options prior to leaving the UK and, in the case of any uncertainty, to consider taking professional advice.

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