



DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224

OFFICE OF  
CHIEF COUNSEL

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Dear :

This letter responds to your request for information dated April 18, 2008. In your letter, you requested certain information about the tax treatment of a transfer of funds from your U.K. occupational pension schemes to a U.S. individual retirement arrangement (IRA) or other U.S. qualified pension plan.

Under the Internal Revenue Code (Code), the United States generally taxes its citizens and residents on their worldwide income. A distribution from a U.K. occupational pension scheme to a U.S. citizen will generally be taxed in the United States unless an income tax treaty to which the United States is a party changes the application of the Code. The United States has an income tax treaty with the United Kingdom (the Treaty).

Paragraph 1 of Article 18 (Pension Schemes) of the Treaty provides that:

Where an individual who is a resident of a Contracting State is a member or beneficiary of, or participant in, a pension scheme established in the other Contracting State, income earned by the pension scheme may be taxed as income of that individual only when, and, subject to paragraphs 1 and 2 of Article 17 (Pensions, Social Security, Annuities, Alimony, and Child Support) of this Convention, to the extent that, it is paid to, or for the benefit of, that individual from the pension scheme (*and not transferred to another pension scheme*).

[emphasis added]

Under Article 18(1) of the Treaty, the United States will not tax income earned by a U.K. pension scheme until such amounts are distributed to a U.S. resident. A transfer of funds from a U.K. occupational pension scheme to a U.S. IRA or other U.S. qualified pension plan will be taxed as a distribution to the participant, unless the transfer qualifies as an "eligible rollover distribution" within the meaning of section 402(c)(4) of

the Code. Generally, a transfer from a U.K. occupational pension scheme to a U.S. IRA or other U.S. qualified pension plan will not qualify as an eligible rollover distribution.

You may find it useful to read a legal advice memorandum that was recently issued by the Office of Associate Chief Counsel (International) discussing the parenthetical language in Article 18(1) of the Treaty. The legal advice memorandum was released to the public on August 29, 2008 as AM2008-009. You can view the legal advice online at: <http://www.irs.gov/pub/irs-utl/am2008009.pdf>.

This letter has called your attention to certain general principles of the law. It is intended for informational purposes only and does not constitute a ruling. If you would like a definitive determination concerning a particular set of facts, you must comply with the requirements for obtaining a private letter ruling that are set forth in See Rev. Proc. 2008-1, §2.04, 2008-1 IRB 7 (Jan. 7, 2008).

If you have any additional questions, please contact \_\_\_\_\_ at \_\_\_\_\_

Sincerely,

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M Grace Fleeman  
Senior Technical Reviewer, Branch 1  
(International)