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

OFFICE OF THE CHIEF COUNSEL

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Reference: Request for information concerning the U.S.-U.K. tax treaty

Dear :

This letter responds to your recent request for information concerning the U.S.-U.K. income tax treaty (the Treaty)[1] and self-invested pension plans (SIPPs) in the United Kingdom.

You asked about transfers by a U.S. resident from an employer pension scheme in the United Kingdom to an SIPP. 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].

[1] Convention Between the Government of the United States of America and the Government of the United Kingdom of Great Britain and Northern Ireland for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and on Capital Gains, signed at London, July 24, 2001, as amended by Protocol, signed at Washington, July 19, 2002.

For purposes of the Treaty, paragraph 1(o) of Article 3 (General Definitions) defines the term "pension scheme" as:

> [A]ny plan, scheme, fund, trust or other arrangement established in a Contracting State which is: (i) generally exempt from income taxation in that State; and (ii) operated principally to administer or provide pension or retirement benefits or to earn income for the benefit of one or more such arrangements.

If an employer pension scheme in the United Kingdom and an SIPP are both pension schemes within the meaning of Article 3(1)(o), then a transfer of income earned by the employer pension scheme to the SIPP would not be a taxable event in the United States.

You also asked about transfers of income earned by either an employer pension scheme in the United Kingdom or an SIPP to a pension scheme in a third country. The definition of "pension scheme" requires a plan, scheme, fund, trust or other arrangement to be established in one of the Contracting States -- i.e., the United States or the United Kingdom -- in order to be considered a pension scheme for purposes of the Treaty. A plan, scheme, fund trust or other arrangement established in a third country will thus not be considered a pension scheme for purposes of Article 18(1).

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. See Rev. Proc. 2010-1, §2.04, 2010-1 IRB 7 (Jan. 4, 2010).

If you have any additional questions, please contact at

Sincerely,

By: ______________________

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