

# Pension and tax facts

## Budget 2020

### For financial advisers only

On 8 October 2019, the Minister for Finance and Public Expenditure and Reform announced Budget 2020.

We've captured the relevant changes below in orange.

## Revenue limits

### Standard Fund Thresholds

Standard Fund Threshold	€2m
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Refer to Appendix on page 6.

### Lump sum thresholds

Maximum lifetime tax free lump sum (since December 2005)	€200,000
Pension lump sum taxed @ 20%	>€200,000 to ≤€500,000
Pension lump sum treated as income and taxed under PAYE system	>€500,000

### Earnings for tax relief limits

Earnings limit for 2020	€115,000
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### Age related contribution limits

Age related contribution limits	% of net relevant earnings
Under 30	15%
30-39	20%
40-49	25%
50-54	30%
55-59	35%
60-75	40%

### Sample maximum occupational contributions as a percentage of salary per annum\*

Age	Retirement age 60		Retirement age 65	
	Male	Female	Male	Female
30	72%	67%	54%	49%
35	86%	80%	63%	58%
40	108%	100%	76%	69%
45	144%	133%	95%	86%
50	216%	200%	126%	115%

\* Assuming individual has a spouse/civil partner and no pre-existing retirement benefits

## Product rules

### Approved Retirement Fund regime applicable from 27 March 2013

Approved Minimum Retirement Fund requirements	€63,500
Specified income test	€12,700 pa

## Imputed distribution

Age throughout 2020	ARF and vested PRSA where value is ≤ €2 million	ARF and vested PRSA where value is >€2 million	AMRF: Voluntary withdrawal*
Under 61	Nil	Nil	up to 4%
61-70	4%	6%	up to 4%
71 and over	5%	6%	up to 4%

\* The AMRF withdrawal option can only be exercised once in each calendar year. Where AMRF and ARF have the same QFM, the AMRF withdrawal can be offset against the compulsory imputed distribution applying to the ARF.

### ARF - tax treatment on death

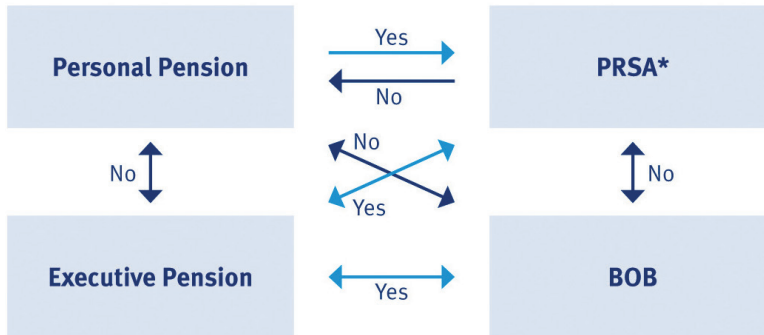
Fund to	CAT	income tax
Spouse's ARF	No	Yes <sup>^</sup>
Child under 21	Yes	No
Child over 21	No	30%
Others	Yes	Yes

<sup>^</sup> Income tax is only payable on drawdown

### PRSA - drawdown regime applicable from 27 March 2013

Maximum lump sum	25%
Minimum balance to be retained in vested PRSA during drawdown (until the client has specified income of €12,700 pa or reaches age 75)	€63,500
Tax treatment on death	Same as ARF

## Pension transfers



### \* PRSA transfer restrictions

Transfers from occupational to PRSAs can only be executed where:

- The individual has had less than 15 years qualifying service and the scheme is being wound up or the individual is changing job and
- The transfer is less than €10,000.

If the transfer value is over €10,000 then a 'certificate of benefits comparison' is required.

Please contact the Technical Solutions team for details of where and how this can be obtained.

If the transferring scheme is being wound up, the requirement for a certificate is removed.

## 2020 tax rates

Rate	
Standard	20%
Higher	40%

Bands		Tax credits	
Single/widowed	€35,300	Single	€1,650
Married - 1 income	€44,300	Married	€3,300
Married - 2 incomes	€44,300 + increase (max €26,300)*	PAYE employee	€1,650
		Earned Income Tax Credit for Self Employed	€1,500
		Home Carer Credit	€1,600

\*The increase is the lower of €26,300 or the spouse/civil partner's income of the lower earner. The increase is not transferable between spouses/civil partners.

State Pension (Contributory) maximum	
Personal rate	€248.30 per week
Personal rate + qualifying adult both under age 66	€413.70 per week
Personal rate + qualifying adult both over age 66	€470.80 per week

The 100% Christmas bonus payment will be payable to all social welfare recipients for 2019.

<b>DIRT for 2020</b> (on interest bearing accounts - rate is set to decrease by 2% in 2020)	<b>33%</b>
<b>Capital Gains Tax (since 5 December 2012)</b> (the first €1,270 of an individual's annual gain is exempt)	33%
<b>Capital Acquisitions Tax from 12 October 2016</b>	33%
<b>Corporation Tax for trading income (since 1 January 2003)</b>	12.5%
<b>Stamp Duty for residential property ≤ €1m</b>	1%
<b>Stamp Duty for residential property on balance &gt; €1m</b>	2%
<b>Stamp Duty for non-residential property (from 9 October 2019)</b>	<b>7.5%</b>

<b>CAT thresholds from 9 October 2019</b>		
<b>Group</b>	<b>Beneficiary</b>	<b>Tax free amount*</b>
A	A child (including adopted child, step-child and certain foster children) or minor child of a deceased child of the person giving the gift.	<b>€335,000</b>
B	A brother, sister, niece, nephew or lineal ancestor or lineal descendant of the person giving the gift.	<b>€32,500</b>
C	All other relationships, other than those mentioned in A or B.	<b>€16,250</b>

\* CAT only applies to amounts over the relevant group threshold.  
CAT is charged at 33% on gifts and inheritances.

## Exit tax on gross savings and investment policies

Deducted every 8 years and from any withdrawal, surrender or death claim (also transfer of ownership).

<b>Personal investors</b>	41%
<b>Corporate investors</b>	25%

## 2020 PRSI and USC rates

With all the different rates of Pay Related Social Insurance (PRSI) and Universal Service Charge (USC), here's an employee and self-employed summary of the main classes to help you.

Age	Tax	Income from			
		Annuity	ARF	Employment	Self-employment
<50	USC PRSI	0.5% 2% 4.5% 8% 0% (Class M)	0.5% 2% 4.5% 8% 4% (Class S)	0.5% 2% 4.5% 8% 4% (Class A)	0.5% 2% 4.5% 8% 11% 4% (Class S)
50-60	USC PRSI	0.5% 2% 4.5% 8% 0% (Class M)	0.5% 2% 4.5% 8% 4% (Class S)	0.5% 2% 4.5% 8% 4% (Class A)	0.5% 2% 4.5% 8% 11% 4% (Class S)
60-65	USC PRSI	0.5% 2% 4.5% 8% 0% (Class M)	0.5% 2% 4.5% 8% 4% (Class S)	0.5% 2% 4.5% 8% 4% (Class A)	0.5% 2% 4.5% 8% 11% 4% (Class S)
66-69	USC PRSI	0.5% 2% 4.5% 8% 0% (Class M)	0.5% 2% 4.5% 8% 0% (Class M)	0.5% 2% 4.5% 8% 0% (Class J)	0.5% 2% 4.5% 8% 11% 0% (Class M)
≥70*	USC PRSI	0.5% 2% 4.5% 8% 0% (Class M)	0.5% 2% 4.5% 8% 0% (Class M)	0.5% 2% 4.5% 8% 0% (Class J)	0.5% 2% 4.5% 8% 11% 0% (Class M)

USC doesn't apply if total annual income ≤€13,000. For income more than this, the USC rates are

Income	Universal Social Charge	
	Employees	Self-employed
€0 - €12,012	0.5%	0.5%
€12,013 to €19,873	2%	2%
€19,874 to €70,044	4.5%*	4.5%*
€70,045 to €100,000	8%*	8%*
>€100,000	8%*	11%*

\* For those aged 70 years or over and for medical card holders the maximum rate is 2% where income does not exceed €60,000.

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## Appendix - Standard Fund Threshold

The Standard Fund Threshold remains at €2 million. The Capitalisation Factor for valuing a DB scheme depends on age.

Age	Factor	Age	Factor
50 (and below)	37	61	29
51	36	62	28
52	36	63	27
53	35	64	27
54	34	65	26
55	33	66	25
56	33	67	24
57	32	68	24
58	31	69	23
59	30	70+	22
60	30		

### DC schemes

For DC type pension arrangements, the capital value of pension rights remain the same: the value of the fund.

From 1 January 2015, a P60 or payslip has been required when submitting an application for a one member scheme to verify member is being paid PAYE income and their salary for funding purposes.

### DB schemes

All DB pension rights accrued up to 1 January 2014 and crystallised after that date will be valued at the point of drawdown for BCE purposes at the current capitalisation factor of 20.

All DB pension rights accrued after 1 January 2014 and crystallised after that date will be valued at the point of drawdown for BCE purposes using the appropriate age related valuation factor.

Where a DB pension is drawn down after 1 January 2014, part of which was accrued up to that date and part after that date, the calculation of the capital value will be split accordingly with the portion accrued up to 1 January capitalised using the current standard capitalisation factor of 20 and the portion accrued after that date capitalised using the appropriate age related valuation factor.

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