

Standard Life
There's a lot to look forward to

Your guide to pensions tax

For financial advisers only



Notes

1. In the absence of tax credits, administrator deducts tax at higher rate
2. Subject to PAYE at deceased's marginal rate of income tax, PRSI and USC. Deducted by administrator/QFM before payment made. Net proceeds are subject to Inheritance Tax
3. The rate of tax applicable to chargeable excess is 40%. Must be disclosed and paid to Revenue within 3 months of the event
4. Taxation treatment is captured on www.pensionsauthority.ie. To qualify for the refund, the PRSA must not have received contributions for 2 years
5. Lump sum free of income tax, balance fund charged at 10%
6. Standard rate tax paid on a lump sum may be offset against chargeable excess tax (S787R (A)). This is the only exception where ring-fenced tax may be set against another liability
7. PRSI Class M applies to ALL annuity/pension payments. No PRSI liability
8. Despite the absence of any formal guidance, Revenue has indicated to industry that the charge to income tax set out in S787G is to be applied to any PRSA transferring out of the State. It may be possible to reclaim the tax
9. The rate of income tax to be applied in this instance is a ringfenced rate of 30%
10. Although Revenue initially indicated that PRSI should apply, they amended their position with effect from 01/01/2011 - any PRSI deducted since that date is eligible to be refunded. This encashment is not treated as a Benefit Crystallisation Event for the purposes of chargeable excess tax legislation
11. Marginal rate tax is the highest rate of tax you pay, which could be 20% if your income is taxed at the standard rate or 40% at the higher rate
12. Capital Acquisitions Tax 33% (since 12/10/2016). The tax exempt thresholds range from €320,000 (since 10/10/2018) for gifts to children to €32,500 for gifts to relatives to €16,250 for gifts to anyone else

Remember

Laws and tax rules may change in the future. The information here is based on our understanding in March 2019. This guide is a brief summary. It doesn't cover all situations or circumstances. More information is available on www.revenue.ie

Event	Tax payable	Rate of tax	USC	PRSI	Reference	Notes
AMRF withdrawal	Schedule E	Marginal	Yes	Yes	S784C (5) B	1,11
Annuity payment	Schedule E	Marginal	Yes	Yes		1, 7, 11
ARF distributed to child <21	CAT	33%	No	No	S784A (4) B	12
ARF distributed to child >21	Schedule D Case IV	30%	No	No	S784A (4) C	9
ARF distributed to stranger	Schedule E and CAT	Marginal/33%	Yes	Yes	S784A (4) A	2, 11, 12
ARF withdrawal (regular/ad hoc)	Schedule E	Marginal	Yes	Yes	S784A (3) A	1, 11
ARF full encashment	Schedule E	Marginal	Yes	Yes	S784A (3) A	1, 11
Chargeable Excess	Schedule D Case IV	40%	No	No	S787R (1) A	3
Commuted pension on serious ill health (Death's Door Concession)	Schedule D Case IV	10%	No	No	S781	5
Imputed distribution	Schedule E	Marginal	Yes	Yes	S784A(3)	1, 11
Pension Lump Sum (>500,000)	Schedule E	Marginal	Yes	No	S790AA (3) A (ii)	11
Pension Lump Sum (between €200,000 and €500,000)	Schedule D Case IV	20%	No	No	S790AA (3) A (i)	6
Vested PRSA withdrawal (regular/ad hoc)	Schedule E	Marginal	Yes	Yes	S787G (1) A+B	1, 11
Refund of contributions from PRSA worth less than €650	Exempt	n/a	No	No	S109 Pensions Act 1990	4
Refund of member contributions (within Vesting Period)	Schedule D Case IV	20%	No	No	S780	
Refund of contributions on death in service	Exempt	n/a	No	No	10.1 Revenue Pensions Manual	
Dual private/public sector arrangements encashment tax	Schedule D Case IV	Ring-fenced	Yes	No	S787TA	10
PRSAs transferring overseas	Schedule E	Marginal	Yes	Yes	S787G	1, 8, 11
Trivial Pension (<€30,000 fund from all pension sources)	Schedule E	Marginal	Yes	Yes	S781	1, 11
Trivial Pension (<€330 pa annuity)	Schedule D Case IV	10%	No	No	S781	

2019 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)

1. 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.

2. PRSI at 4% may apply to employees and pensioners aged under 66 who have unearned income.

State Pension benefits

PRSI class	Contributors
A	Private Sector and Public Sector for those who joined after 06/04/1995
B	Civil Servants/Gardaí/Prison Officers
C	Army Officers
H	Enlisted Personnel in the Army
D	Public Sector for those who joined before 06/04/1995
S	Self employed and ARF policyholders (under age 66)
M	Zero rate PRSI payable

When is the benefit payable?

Year of birth	State Pension age
1954 or earlier	66
1955 - 1960	67
1961 or later	68

What are the qualifying criteria?

To potentially qualify for State Pension, you must have:

- started paying PRSI before age 56
- paid at least 520 weekly contributions of which 260 can be voluntary (**Note A**)
- an annual average number of 48 weekly contributions paid or credited for each year from 1979/80
- paid the appropriate type of contributions (Class A or S)

How much is the benefit?

The maximum State Pension (Contributory) personal rate from 25 March 2019 is €248.30 (for those under 80 with a yearly average of 48 or more PRSI contributions).

The National Pensions Framework has proposed that a Total Contributions Approach be introduced for all new pensioners in 2020, replacing the yearly averaging system.

The Total Contributions Approach means that a person's total social insurance contributions paid, rather than when they were paid, are taken into account when assessing their entitlement to a pension.

For certain pensioners with contribution gaps retiring now, they may be better off with the Total Contributions Approach, if they qualify under the HomeCaring Periods Scheme.

Qualifying Adult Allowance

Additional pension for adult dependant (Note B)

If you qualify for a State Pension in your own right, an additional pension may be payable for an adult dependant.

This payment is means tested and applies to the dependant's financial resources.

The test is applied to income from employment and self employment but also includes income from property, savings and investments.

Where investments are held in joint names the dependant is assessed on the notional income arising from 50% of these investments.

How much is this Allowance?

Increase for Qualified adult aged under 66	Increase for Qualified adult aged 66 and over
€165.40 per week (Maximum)	€222.50 per week (Maximum)

The conditions to be met in order to qualify for the adult dependant increase are:

- They must not be in receipt of a Social Welfare benefit in their own right (excluding benefits such as Child Benefit)
- They must not have gross weekly earnings in excess of €310 per week gross (Note C)

Calculation of weekly income deriving from savings and investments, excluding property (Note D)

Amount of Investment	Weekly Income
First €20,000	Nil
Next €10,000	€1 per €1,000
Next €10,000	€2 per €1,000
Balance	€4 per €1,000

Notes:

- A. Where someone has ceased to be covered by the compulsory PRSI system, for example, on becoming self employed, they can opt to continue paying voluntary PRSI contributions (provided they have paid a certain number of PRSI contributions in the past). This means that someone can claim the State Pension using these contributions where they couldn't have otherwise OR gain an entitlement to a higher pension
- B. Typically the spouse, civil partner or cohabitant of the contributor
- C. Income below €100 pw does not impact the maximum rate of additional pension and the rate is tapered until no additional pension is payable if weekly income exceeds €310 per week
- D. For property investments, the actual rental income is used

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