Finance Act 2014 – Reminder of Pension Changes

PORTUS

06 January 2015

The Finance Act 2014 was signed into law on 23rd December 2014. Below is a short summary and reminder of the main changes for Pensions.

ARF and Vested PRSAs

From 1 January 2015 the minimum income distribution on ARFs & vested PRSAs will be:

- For clients from year turning age 61 to age 70 a rate of 4% applies
- From the year clients turn age 71 a rate of 5% applies

Where total value of ARFs & vested PRSA exceeds €2m a rate of 6% still applies to all clients from the year they turn 61.

Clients aged between 61 and 70 who receive their ARF/vested-PRSA by way of an automatic balancing payment in December will see their distribution change from 5% to 4% in December 2015. Such clients do not have to contact us, unless they wish to take a higher level of income.

However, any such clients who specifically requested an income of 5% pa will continue to receive an income based on 5% of the ARF/vested-PRSA value, unless they request a change to their withdrawal.

To amend a customers automatic income or withdraw funds from an ARF you can use the ARF Withdrawal Form

AMRFs

New AMRF rules allow one withdrawal per year of up to 4% of the current AMRF value with effect from 1 January 2015

- 4% AMRF drawdown is not compulsory
- Only one AMRF withdrawal a year will be permitted by Irish Life
- We do not have an automatic income facility on AMRFs, and this has not changed
- There was a change in the final legislation that withdrawal is based on 4% of the AMRF value as at the date of the withdrawal (this was originally to be based on 4% of value as at 1 February)
- The 4% optional withdrawal applies only to AMRFs. This option does not apply to the restricted fund within a vested PRSA.

You can use the ARF Withdrawal form to proceed with a withdrawal from an AMRF arrangement. Please note that Anti Money Laundering requirements will apply to any such withdrawal.

Excess over SFT/PFT

The tax on excess over the €2m SFT or an individual's PFT to be changed from a specified rate of 41% to the "higher rate" from 1 January 2015. Tax on excess therefore reduces to 40% in line with reduction of higher rate tax from 01/01/15

Company Pension requirement for payslip

One payslip or P60 is required to verify the member's salary in respect of all new one member company pension schemes and company pension term assurance. The P60 or payslip should be printed from the employer's payroll system. An accountant's letter or a handwritten P60 will not be accepted. While not a Finance Act change, Revenue have introduced this with effect from 1 January 2015.