

# **Pensions Training**

**Tax Deadline / Self  
Assessment**

- Who can claim tax relief
- Relevant Earnings / Net Relevant earnings
- Self Assessment / Claiming tax relief in previous tax year
- AVCs / Employee Special Contributions
- Changing employment

**Who can claim tax  
relief?**

# Who can claim tax relief on a PRSA?



**Irish Life**

- Anyone “chargeable to tax in respect of relevant earnings”
- In practise, it will be:
  - ❖ Self employed (Schedule D, Case 1 and 2)
  - ❖ Employees (PAYE and not in a pension scheme)
  - ❖ Directors of companies (PAYE and not in a pension scheme)
- PPS Number Required
- Individual contributes, or
- Employer can contribute some or all of 15%/40% max limit
- Employer cost included in 15%/40% limit



- Must be “chargeable to tax in respect of relevant earnings”
- In practise, it will be:
  - ❖ Self employed (Schedule D case 1 or 2)
  - ❖ Employees (PAYE and not in a pension scheme)
  - ❖ Directors of companies (PAYE and not in a pension scheme)
- Individual contributes
- Employer cannot contribute





**Relevant Earnings/ Net  
Relevant earnings**

# What are relevant earnings?

- Source of earnings liable to Irish income tax
- Income for office or employment and not in an occupational pension scheme (Schedule E PAYE)
- Income from a trade or profession (Schedule D Case 1 or 2)



- Remuneration from employment assessed to income tax under Schedule E (PAYE)

## Remuneration could include

- Salary
- Bonuses
- Directors Fees
- Commission
- BIK





# What earnings are excluded?

- Earned income by a proprietary employee of an investment business
- Rental income
- Income earned from a patent
- Certain earnings of artists, musicians, writers are exempt from tax
- Profits from a trade where person not actively engaged i.e. a sleeping partner
- Termination payment



# What are net relevant earnings?

**Net profit shown in profit and loss account  
+ business expenses allowed  
= Relevant earnings**

**Less Allowances relating to trade**

**Less deductible allowances**

(e.g. covenant payments, allowable interest payments,  
maintenance payments)

**= Net Relevant earnings**

# Who can claim tax relief on an AVC?

- Employees (in an occupational pension scheme)
- Directors of companies (PAYE and in an occupational pension scheme)
- via PRSA AVC or group AVC scheme

**Customers can get relief up to certain limits:**

Age	% of Salary
Under 30	15% of earnings
30 – 39	20% of earnings
40 – 49	25% of earnings
50 – 54	30% of earnings
55 – 59	35% of earnings
60 and over	40% of earnings

**Earnings cap of €115,000 applies**

Self employed customer aged 45 backdating tax relief to previous tax year

- Net Relevant Earnings: €100,000
- PRSA Contribution : €25,000 paid before 31<sup>st</sup> Oct

## Can claim tax relief in previous tax year

- Pension contribution: €25,000
- **41% Tax relief:** €10,250
- **Net Pension cost:** €14,750

**PRSI / USC relief not available**

# Self Assessment

- Tax relief available on Pension contributions
  - ❖ relief granted at marginal rate (20% or 41%)
  
- Tax relief can be back-dated into client's previous tax year if:
  - ❖ premium paid before October 31<sup>st</sup>, and
  - ❖ client elects to backdate tax relief to previous tax year on or before October 31<sup>st</sup>
  
- Self assessed individuals must now file their returns electronically using ROS in order to claim pension tax relief
  - ❖ **Late returns - Relief will not be granted**

- Extension of the self assessment deadline until mid November for those who both
  - ❖ Pay and File using Revenue's online ROS system

- Client's who qualify for the extension also have until this date to
  - ❖ make a pension contribution, and
  - ❖ elect to backdate to the previous tax year





- Under Pay and File client will calculate own tax liability
- If client wants Revenue to tell him what he owes in advance of 31 October he can either:
  - ❖ File a paper Return on or before 31 August, or
  - ❖ file your Return electronically through the **Revenue On-Line Service (ROS)**



- Tax returns assessable on the profit for the accounting period ending in the relevant year
- Account period might not run from 1 January to 31 December
- For example, if accounts are normally prepared for a period of 12 months ending on 30 June, then the assessable profits for the relevant year will be the profits of the year ended 30 June.

- Preliminary tax (Estimate of tax due for current tax year)
  - ❖ For tax year 1 January to 31 December
- File Return date
  - ❖ For previous tax year
- Pay Balance of Income Tax
  - ❖ For previous tax year
- Extension until mid November for those who pay and file using Revenue Online System

# **AVCs / Employee Special Contributions**

- Employee can claim tax relief in previous tax year if
  - ❖ Single premium paid before October 31<sup>st</sup>
  - ❖ Employee files a tax return on or before October 31<sup>st</sup>
  - ❖ employee has not used up max tax relief for previous tax year
- Tax relief is automatic in current tax year if contribution deducted through net pay from salary

# Changing employment

- Employee cannot pay an AVC or PRSA AVC after leaving the service of employer
- Redundancy / termination payments are not treated as pensionable earnings and cannot be included as income for tax relief purposes

## PRSAs

- Individual who has left non-pensionable employment or self-employment can make a PRSA contribution in respect of earnings from that employment and backdate tax relief

- John worked for ABC Ltd until 30 June last year and was a member of the pension scheme.
- He joined XYZ Ltd in July last year and joined the pension scheme.
- Can John pay an AVC or PRSA AVC before 31 October and backdate tax relief in respect of earnings from his previous employer ABC Ltd?
- No
- John can pay an AVC or PRSA AVC before 31 October and backdate it to previous tax year in respect of his earnings with his new employer XYZ Ltd for the period 1st July to 31st December.



- Must elect to backdate contribution **prior to 31st October** for previous tax year
- Extension to **Mid November** for those using Revenue On-Line Service (ROS)

- **Self Employed, Proprietary Directors (over 15%)**
  - ❖ complete Income Tax Form 11 or Form 11 E
- **Employees & Non-Proprietary Directors (PAYE)**
  - ❖ complete Income Tax Form 12
- Clients should **not** include RAC or PRSA1 Certificates with their tax return
- Clients should instead retain supporting documents, accounts, certificates, etc. in case they are subsequently requested by Revenue as part of an audit at a later date

- Income Tax Form 11 or 11E should be sent to the **Return Address** stated on the relevant Income Tax form
- Income Tax Form 12 should be sent to the client's Local Revenue Office
- Returns can also be made using ROS
- Self assessed individuals claiming tax relief on pension contributions must file returns using ROS
- [www.revenue.ie](http://www.revenue.ie)

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