Your No.1 Supporter

Irish Life

Supporting your pension plan

Turn your company profit into personal wealth

Maximum lump sum

One of the most attractive, tax efficient ways for company directors to extract profits from the company and turn them into personal wealth, is to transfer these profits into a company pension.

€ Profits Subject to Corporation Tax → **Transfer profits before tax into a company pension plan** → **Capital growth - Tax free**

Salary:	Income tax up to 41% PRSI/USC up to 11%
Car:	Benefit in Kind (BIK) up to 30%
Dividends:	Income tax up to 41%
Sell shares:	Capital Gains Tax (GCT) up to 30%
Death:	Capital Acquisitions Tax (CAT) up to 30%

Retirement lump sum
and
Income for life (taxed)
or
ARF (income taken is taxed)
or
Taxed cash

Directors who take profit as salary will fall into the personal tax band today. However, those who invest in a company pension plan enjoy benefits such as: **No Benefit in Kind on company contributions, income tax relief on personal contributions, tax free investment growth, a Retirement Lump Sum, some or all of which may be taken tax free.** They can also invest the balance of the fund into an Approved Retirement Fund (ARF), opt for a guaranteed income for life (Annuity) or take the remainder as taxed cash. Employer contributions will receive corporation tax relief in the year the contribution was made. Personal contributions deducted from salary will receive immediate income tax relief. In some instances tax may be due on investment gains or income from property or other assets outside of Ireland depending on the domestic tax rules of the relevant country. In order to be eligible to take out a company pension plan the employee must be in receipt of Schedule E (PAYE) remuneration. A company director is only eligible to take out a company pension if they are set up as an employee of the company and are in receipt of Schedule E income from the company. You should note that annuity income or withdrawals from ARFs are taxed as personal income and are subject to income tax at your highest rate, Universal Social Charge, PRSI (if applicable) and any other taxes or levies applicable at that time. Pensions are long term savings plans that can only be taken at retirement. Tax rates are current as at August 2012.

Warning: If you invest in this product you will not have access to your money until age 60 and/or you retire.

Warning: The value of your investment may go down as well as up.

Warning: If you invest in this product you may lose some or all of the money you invest.

Maximum Retirement Lump Sum Case Study

Do you know that you are entitled to provide up to 150% of your final salary as a retirement lump sum assuming you have 20 years service?

David is a 60 year old Company Director who wishes to retire at age 65. He will have 25 years service in his current employment at age 65 but he has no existing pension plan. David anticipates that his final average salary will be €50,000 and is asks how he can fund for a lump sum in retirement?

Possible Solution

David is entitled to receive a maximum tax free retirement lump sum at age 65 of €75,000 (150% of €50,000 Final Salary).

David therefore targets a retirement fund of €75,000 which can then be fully drawn down with no additional tax liability or residual pension payable.

	If taken as salary	If invested in pension
Gross amount paid at retirement	€69,493	€69,493
Less Tax*	€36,136	€0
Net Amount received	€33,357	€75,000 (Lump sum payable)

The net benefit to David by using his company to invest €69,493 into a pension rather than taking it from the company as salary is shown in this example.

Assuming the pension option is selected, David would receive a retirement lump sum of €75,000 with no further tax liability due.

Assumptions:

* Income tax paid at 41%, PRSI at 4% and USC at 7%

Pension fund growth of 6% per annum

Complete Solutions 1 company pension plan

Assuming 96% net allocation

Consensus fund with a 0.75% fund management charge

Plan charge of 0.25%

Required level monthly premium of €1,090.78

Required total premiums of €69,493

If you leave early, exit penalties may apply

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Warning: These figures are estimates only. They are not a reliable guide to the future performance of your investment.

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The tax efficiencies don't stop there

ARF – Tax treatment on death/inheritance

Assets held within your ARF can pass onto your estate. Tax may be due depending on who inherits your fund as follows:

ARF / inherited by	Income tax due	CAT due
Surviving spouse or Registered Civil Partner	None if transferred into an ARF is the spouse's or registered civil partner's name. Subsequent withdrawals subject to PAYE	No
Children under 21	No tax due	Yes
Children 21 and over	Yes at 30% rate	No
Others, (including spouse or registered civil partner if benefit paid out as a lump sum)	Yes, at deceased's marginal rate (either 20% or 41%)	Yes
Death of Surviving Spouse or Registered Civil Partner		
Children under 21	No	Yes*
Children 21 and over	Yes at 30% rate	No
Others	Yes at 30% rate	Yes*

* Normal Capital Acquisitions Tax (CAT) thresholds apply.

The above applies to gross ARF funds set up after 2000.

We advise that you seek professional tax advice as the information given is a guideline only and does not take into account your personal circumstances.

For more information on pensions, please contact your Financial Adviser.

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