



Irish Life

How your pension is taxed at retirement

We know that the tax treatment of pensions can sometimes be difficult to understand. The Revenue Commissioners provide income tax relief for pensions when you are saving for retirement. There are also some taxes that have to be paid on pension income you receive once you've retired.

The aim of this flyer is to explain in the simplest terms possible how pensions are taxed at retirement, so that you can make sure your pension is taxed correctly and that you are benefiting from any tax credits you may have.

Tax must be paid on retirement income

Retirement income is treated like normal income so income tax must be paid on it. Retirement income includes:

- Guaranteed income for life – also called an annuity.
- Withdrawals made from an Approved Retirement Fund (ARF) or Approved Minimum Retirement Fund (AMRF).
- Withdrawals from a vested PRSA.
- Taxable cash payments.
- Trivial pension payments.

You have to pay income tax on retirement income at your highest rate. You also have to pay the Universal Social Charge (USC), PRSI (if it is applicable) and any other charges or levies (tax) due at the time you receive your retirement income. You do not have to pay tax on any tax-free retirement lump sum you may be entitled to.

Important – ensure your pension is taxed correctly!

The Revenue Commissioners can tell you the correct rate of income tax that you should pay on your pension. Until we receive a Tax Credit Certificate from the Revenue Commissioners to tell us what rate of tax we should deduct from your pension income, we are obliged to deduct Income Tax at the highest rate (currently 41% as at April 2012) from your retirement income. This means you may miss out on any tax credits or the standard tax rate cut-off point you may have.

What is a tax credit?

You are entitled to tax credits depending on your personal circumstances. Tax credits are used to reduce the tax calculated on your income.

What is a standard rate cut-off point?

The cut-off point shows that amount of income that you can pay tax at 20% on. You pay tax at 41% on any income above the cut-off point.



Important

Tax details are applied to payments on a monthly basis. This means that unless a payment is made in December, it won't receive the benefit of the full year's tax credits or standard rate cut off point. Tax certificates are generally issued on what is called a cumulative basis. This means that any unused tax credits in one month carry forward to the next month. For example, if a customer requests a payment in September and has received no payments in the current tax year, we would then apply nine months tax credits to the payment.

If no allocation is made we must deduct tax at the higher rate. You must contact Revenue directly if too much tax has been deducted.

To ensure your pension is taxed correctly you must:

1. Contact your local Revenue Office (see the list of the regional office numbers opposite).
2. Give them your **PPS number**.
3. Ask them to allocate any unused tax credits or cut-off point you have to Irish Life.
4. Tell them what tax reference number you want this allocated to. You should choose the tax reference number below for the type of pension benefit you have:

Annuity:	For a regular Annuity payment, tax credits should be allocated to Irish Life (Pension Payments) under tax reference number 0087900D .
Taxable Cash / Trivial Payment:	For a once off taxable cash or trivial payment (subject to certain criteria), tax credits should be allocated to Irish Life (ARF Payments) under tax reference number 4820009C .
ARF / AMRF / vested PRSA:	For ARF, AMRF or vested PRSA withdrawals and other taxable payments (subject to certain criteria), tax credits should be allocated to Irish Life (ARF Payments) under tax reference number 4820009C .



You can contact your Revenue office by phoning the LoCall number listed below:

- **Border Midlands West Region**
1890 777 425
Cavan, Donegal, Galway, Leitrim, Longford, Louth, Mayo, Monaghan, Offaly, Roscommon, Sligo and Westmeath
- **Dublin Region**
1890 333 425
Dublin (City and County)
- **East & South East Region**
1890 444 425
Carlow, Kildare, Kilkenny, Laois, Meath, Tipperary, Waterford, Wexford and Wicklow
- **South West Region**
1890 222 425
Clare, Cork, Kerry and Limerick

Remember to always quote your PPS Number when contacting your Revenue Office.

PRSI

You do not have to pay PRSI on annuity (guaranteed income for life) payments. 4% PRSI is due on all withdrawals from ARFs, AMRFs and vested PRSAs before age 66. There is no PRSI liability from age 66 onwards.

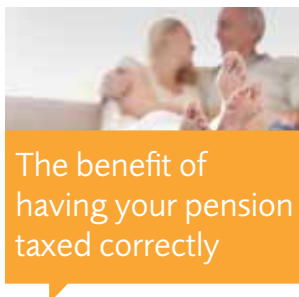
Universal Social Charge

The Universal Social Charge (USC) is calculated based on the full payment amount.

The current standard USC rates apply:

Annual Income Amount	USC Rate
Income up to €10,036	2%
Between €10,037 - €16,016	4%
Over €16,016	7%

Depending on your personal circumstances, individual USC rates may apply. We will deduct USC at the rate of 7% unless we are told otherwise by the Revenue. So it is important to discuss this matter with your local Revenue office. Contact details for your local office are on the previous page.



We can see from Mary's example below that there is a clear benefit from providing us with the correct tax information, as soon as possible.

Mary is 66 years old and receives €1,000 a month (€12,000 a year) as an annuity from Irish Life. This is paid into her bank account.

In Example 1 – Mary has not contacted her Revenue office and no credits or cut off point has been allocated. Her retirement income has been taxed at the highest rate of 41%.

In Example 2 – Mary has contacted her Revenue office and is allocated €10,000 cut off point and €2,000 tax credits to Irish Life for the year.

Assuming for example, Mary's annuity is paid in January, then the following deductions apply:

Example 1 - No Tax Credits or Cut Off

		Tax Due
Gross Income	€1,000.00	
Cut Off	€0	
Credits	€0	
Tax @ 20%	€0	€0
Tax @ 41%	€1,000.00	€410.00
Less Credits		€0.00
USC @ 7%	€1,000.00	€70.00
Total Deductions		€480.00
Gross Income	€1,000.00	
Net income Mary receives	€520.00	

Example 2 - Tax Credits, Cut Off and Incl USC Rates

		Tax Due
Gross Income	€1,000.00	
Cut Off	€833.33	
Credits	€166.67	
Tax @ 20%	€833.33	€166.67
Tax @ 41%	€166.67	€68.33
Less Credits		€166.67
USC @ 2%	€837.00	€16.74
USC @ 4%	€163.00	€6.52
USC @ 7%	€0.00	€0.00
Total Deductions		€91.59
Gross Income	€1,000.00	
Net Payment	€908.41	

Tax rates quoted above are current as at April 2012. Pension income in retirement is subject to income tax at your highest rate on withdrawal, Universal Social Charge, PRSI (if applicable) and any other charges or levies ("tax") applicable at that time.

Mary's example above is typical of how most types of pension income may be taxed. So it pays to get your tax information to us as soon as you can to take advantage of any benefits you may have.

We hope this leaflet shows you the benefits of having the correct tax treatment for your retirement income.
If you have any further queries you can contact us in any of the ways below.

How to contact us



Write to:

Irish Life Assurance plc,
Lower Abbey Street,
Dublin 1



Phone:

01 704 1010
8am to 8pm Monday to Thursday
10am to 6pm Friday
9am to 1pm Saturday



Email:

pensioncustomerservice@irishlife.ie



Call in:

Irish Life Visitor Centre,
Lower Abbey Street, Dublin 1.
9am to 5pm Monday to Friday



www.irishlife.ie

Don't forget you can find the most up to date information on your plan through our website and online services.

Tax information is current at 01/04/2012 and could change in the future.

Pensions are long term investment plans that can only be taken in retirement.

In the interest of customer service, we will record and monitor calls.

Irish Life Assurance plc is regulated by the Central Bank of Ireland.



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