Pensions Training

PRSAs

Agenda

Irish Life

- Eligibility
- Standard & Non Standard PRSA
- Contributions & Tax Relief
- Employer's Role
- Death Benefits
- AVC Withdrawal Option
- Post – Retirement PRSA
- Transfers
- Refunds

Eligibility

PRSA - Eligibility

Anyone can take out a PRSA

- Self employed
- Employee in non-pensionable employment
- Employee in pensionable employment can take out a PRSA AVC
- Unemployed – **BUT** why would they?
  - They wont get tax relief on contributions
  - Will have to pay tax when drawing down benefits

Standard & Non Standard PRSA

Standard & Non Standard PRSA

Standard PRSA

- Charges are capped at 5% of contribution and 1% of the fund value
- Can only offer pooled funds
- Clear PRSA is a Standard PRSA

Non Standard PRSA

- No cap on contribution or fund charges
- Not restricted to pooled funds

- No PRSA can apply a charge for skips, suspensions, transfer in or out
- Both Standard & Non Standard PRSAs must have a default investment strategy

Contributions & Tax Relief

PRSA Contributions

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- The client can contribute up to the limits shown below, subject to a salary cap of €115,000

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

- Employer can also contribute but these limits apply to the total employer and employee contributions

- Any employer contribution over these limits will incur a BIK income tax liability for the employee

Tax relief on PRSA contributions

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- Income tax relief available on PRSA contributions at marginal rate (20% or 41%)
- No Relief against PRSI or the Universal Social Charge

Claiming Tax Relief

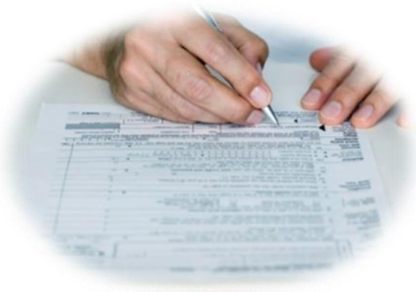
Self Employed

- Details of contributions must be included in self assessment income tax return to the Revenue Commissioners

Employees

- Tax relief available at source if employer operates net pay arrangement.

- Otherwise client can apply to Local Tax Office and get tax credits adjusted.



Employer Contributions to PRSAs

- Employer contributions to PRSAs are treated as BIK for the employee who can claim Income Tax relief as if they paid the contributions themselves

But

- There is no relief against the USC

So

- Employees must pay the USC on employer contributions to their PRSAs

- Employer PRSA contributions will not cause a PRSI liability for the employee

Example

Salary	**€40,000**
Employer PRSA Contribution	€ 1,000
Employee PRSA Contribution	€ 2,000
Employee Taxation	
Gross Taxable Salary (€40,000 plus €1,000)	€41,000
Less Total PRSA Contribution	€ 3,000
Net Taxable Salary (for income tax)	€38,000

- Employee pays Income Tax based on net salary of €38,000
- PRSI is paid on a gross salary of €40,000
- But the USC is based on a gross taxable salary of €41,000

Tax relief on PRSA contributions

Employer

- The company gets corporation tax relief on contributions

Employers Role

PRSAs - Employer's role

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PRSAs are owned personally by the client but employers still have a role to play and duties around providing access to PRSAs

- Employer must provide access to a Standard PRSA
- Deduct PRSA contribution from salary
- Remit deductions to the PRSA Provider
  - Within 21 days of end of month deduction was made
  - Must provide employee with a monthly statement of PRSA contributions deducted from salary and paid to PRSA provider (can be included in payslip)

- If employer does not operate a company scheme, or
- has a scheme with limited eligibility for membership, or has a waiting period for membership greater than 6 months

PRSA Access – Employer's role

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- Must notify employees of their right to contribute to a standard PRSA by salary deduction

- Allow PRSA providers or intermediaries reasonable access to employees at workplace for concluding standard PRSA contracts

- Subject to work requirements, allow employees reasonable paid leave of absence to establish a Standard PRSA

Death Benefits

Death Benefit Payable

- Full value of PRSA paid to the estate on death before retirement

- Life cover cannot be added to an Irish Life PRSA

- Client may be eligible for Personal Pension Term Assurance
  - If self employed ***or***,
  - In non-pensionable employment

AVC Withdrawal Option

AVC Withdrawal Option

- This option is available to those who have paid AVCs into any of the following
  - Company Pension Scheme
  - AVC Scheme
  - PRSA AVC
  - Personal Retirement Bond / Buy Out Bond
- Up to 30% of the value of the AVCs can be withdrawn.
- Only one withdrawal is allowed per scheme.
- Any AVC withdrawal will be subject to marginal rate income tax. Irish Life will deduct tax at higher rate unless we get a valid tax cert
- This option is available until 26 March 2016

Post Retirement - PRSA

PRSAs and Retirement

- Retirement age on PRSAs is between 60 and 75
- Some occupations allow retirement from age 50

Early Retirement

- Age 60 for Self-Employed
- From age 50 for an employee who has left service
- 20% Director must sell shareholding

Retirement Options

- 25% of fund can be taken as a Lump Sum.
  - Maximum Tax Free Lump Sum currently €200,000 from all sources
- Balance of fund can be:
  1. Used to purchase an annuity
  2. left in PRSA and withdrawn as required, subject to PAYE
  3. Transferred to an ARF, withdrawals subject to PAYE
- The imputed distribution requirement now applies to post-retirement PRSAs in the same way as ARFs.
- On Death a vested PRSA is treated under

  ARF/AMRF death rules

Options 2 & 3 subject to client having a guaranteed income for life of €12,700 p.a.

If not, €63,500 must be invested in an Approved Minimum Retirement Fund (AMRF) or left in PRSA

Vested PRSA. Rules on Death

	Income Tax	Capital Acquisitions Tax
Transfer to ARF in spouse's name	None on transfer to ARF but future withdrawals from ARF subject to PAYE	None
Spouse takes fund as a cash lump sum	Yes at deceased's marginal rate	None
To child 21 or over	Income tax at 30%	None
To child under 21	None	Yes. Child can inherit up to €225,000 without paying CAT. Excess subject to CAT at 33%
Anyone else	Yes at deceased's marginal rate	Yes. Can inherit up to certain limit any excess subject to CAT at 33%

Transfers

Transfers - Allowed

- From PRSA to PRSA
- From PRSA to Company Pensions
- From Personal Pension to PRSAs
    - If transferring life office agrees
- From Company Pension to PRSA
    - More complex

Transfers from Company Pensions to PRSA

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Only allowed if

- The employee has less than 15 years service in <u>all</u> company pension schemes with that employer, ***and***
- The scheme is wound up, ***or***
- Member leaves service, ***and***
- The transfer value is less than €10,000

Transfers – Not Allowed

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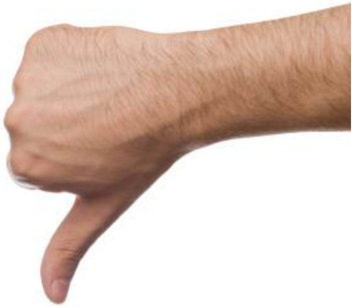
- From PRSA to Personal Pension
- From Buy Out Bond to PRSA
- From PRSA to Buy Out Bond



Disclosure Requirements

- Client must be provided with a Preliminary Disclosure Certificate (PDC) before entering into a PRSA contract
- Once the PRSA has issued Irish Life will provide the client with a client specific Statement of Reasonable Projection (SRP) as part of the Welcome Pack
- The client has 30 days from receiving the SRP to cancel the PRSA under Cooling Off

Refunds

PRSA Refunds

Irish Life

Allowed:

- If PRSA cancelled within 30 cooling off period, ***or***
- If value is less than €650 at time of request, and
- no premiums paid for previous 2 years
- Client can get a refund of the value of the PRSA

Or

- PRSA provider may refund value of PRSA without client's consent, ***if***
- 3 months has expired since PRSA provider has sent written request to transfer to another PRSA or pension scheme or make further contributions,

Inability to claim tax relief on PRSA contributions is not a valid reason to grant a refund.

Summary

- Eligibility
- Standard & Non-Standard PRSAs
- Contributions & Tax Relief
- Employer’s Obligations
- Retirement / Post Retirement PRSA
- Transfers
- Disclosure
- Refunds

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