



Budget 2015

Advisory Services Update

This document provides a summary of the main changes announced in the Budget Tuesday 14th October 2014.

- Pension Advisory Services' Overview below
- [Life Advisory Services' Overview](#) on page 3
- [Tax and Social Welfare Rate Summary](#) on page 4

PENSIONS OVERVIEW

Pension Overview

Key Budget 2015 Pension Announcements

- Pension Levy will be 0.15% in 2015 and will then cease
- No changes to other pension thresholds

Pension Levy

There were relatively few announcements in the Minister's Budget speech today that directly impact pensions. One item of considerable interest to us is the Pension Levy. The amount taken by the government from pension savings had been increased to 0.75% for 2014, and this increase had come in for a lot of criticism given the commitment made by the government that the levy would not be increased or extended. As announced in the previous Budget, the Pension Levy will reduce to 0.15% for the next calculation date of 30 June 2015. It is welcome that the Minister has stuck to his commitment that the Pension Levy is a temporary measure that will end in 2015.

Pension thresholds unchanged

There were no other significant changes to pension legislation. Given the number of changes in recent years it is welcome that no further changes were announced. Below is a quick reminder of some of the points which have not changed!

- €2m Standard Fund Threshold (SFT) unchanged
- Personal Fund Threshold (PFT) application process to remain open until

1 July 2015 for those already over €2m as at 1 January 2014. Revenue have stressed that late applications will not be accepted after 1 July 2015.

- Any amounts in excess of a SFT/PFT at claim stage continue to be subject to tax at 41%, with an offset allowed for any tax payable at 20% on the retirement lump sum. This tax rate on excess over SFT/PFT is not 'higher rate' income tax but is a specified rate of 41%.
- €200,000 pension tax free lump sum limit remains unchanged. Lump sums above this, within the 25% of fund or salary & service limits, continue to be subject to income tax at 20% up to a maximum of €500,000.
- €115,000 earnings cap remains unchanged for tax relief on contributions to PRSAs, Personal Pensions, and employee/AVC contributions to occupational pension schemes.
- ARF and vested-PRSA 5% minimum drawdown requirement unchanged.
- 30% tax rate continues to apply on an ARF, AMRF or vested-PRSA passing on death to children aged 21 or over.



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- AMRF /vested-PRSA threshold of €63,500 and guaranteed income threshold of €12,700 remain unchanged. It is perhaps worth noting that although the reduction in the AMRF and guaranteed income thresholds were announced as a 3 year reduction from March 2013, the actual legislation does not include any reference to this 3 year period. There has been no change to put such a fixed 3 year period into the underlying legislation.

Universal Social Charge

There is no change to USC treatment for employer contributions to a PRSA. The typical USC marginal rate of 7% means that for employees in this position, each €100 contributed by their employer results in an additional €7 USC. If the employee is earning in excess of €70,044 USC will apply at 8%, although it might be expected that such employees are more likely to have a company pension arrangement where employer contributions are not liable to USC.

Exemption from the highest rates of USC continues to apply for full medical card holders whose income does not exceed €60,000 and also individuals aged 70 and over whose income does not exceed €60,000. Such individuals will now pay a maximum USC rate of 3.5%.

Household Benefits Package and Living Alone Allowance

A water subsidy of €100 per year will be provided to all recipients of the Household Benefits Package or the Fuel Allowance scheme. The Household Benefits Package is currently made up of two allowances, an electricity or gas allowance, plus free television licence. It is available to those aged 70 or over, and for certain other social welfare recipients.

The living alone allowance is being increased from €7.70 to €9 per week. This is generally available to social welfare recipients aged 66 and over who are living alone, and for certain other social welfare disability recipients.

A 25% Christmas Bonus will be paid this December to recipients of long-term social welfare benefits (minimum payment of €20). This will include those on state pensions, invalidity pensions and widow's pension amongst some others.

Continuing importance of Pension Planning

The Minister has stated in previous Budgets that it is in everyone's best interest that as many people as possible continue to invest in pension schemes. We have had many changes to pensions over the last few years. The negative changes have received much attention including the Pension Levy, the earnings cap and ARF minimum drawdown requirement, but we have also seen some positive developments such as increased age related contribution limits and ARF options for DC company scheme members. And it is important to remember that tax reliefs remain available on pension contributions and investment. Indeed with the state pension age having already increased this year to 66 and future increases scheduled, the pension planning need continues to apply for people to set funds aside while working in order to provide for their old age.

LIFE, SAVINGS & INVESTMENTS OVERVIEW

The major change to savings this year has been the introduction of a refund of DIRT for first time buyers. While no change to the rates of Capital Acquisitions Tax or Capital Gains Tax were mentioned, some changes were muted to some of the reliefs from these taxes for the farming sector.

Key Budget 2015 Life Savings and Investments Announcements

- DIRT refund for first time buyers savings
- No changes to exit tax rates
- CAT / CGT relief changes proposed

DIRT REFUND

A refund of DIRT will be available, subject to certain conditions, where 'relevant deposits' are used to fund the purchase of a house by first time buyers. The refund will be available for DIRT deducted over a four year period and will cease on 31st December 2017.

While life assurance savings and investment products are not subject to DIRT, no such relief was announced from exit tax for similar savers in life assurance savings plans. Irish Life will be highlighting this to the government with a view to levelling the playing field.

TAX ON SAVINGS

The Minister again confirmed the governments' commitment to our corporate tax rates in his budget speech and to the corporate sector in general. In line with this,

there was no change made to the exit tax rate of 25% for corporate investors in life assurance products. It is also worth noting that no change was mentioned to the exit tax rates for personal investors in life assurance products either. The current rates of 41% or 56% will continue to apply for these investors

FARMING MEASURES

CAT Agricultural Relief

In the case of agricultural relief from CAT the minister suggested that, with effect from January 2015, the relief would be restricted to active farmers or to those who would lease the agricultural property to farmers for agricultural use. No detail of the revised conditions for this relief have, as yet been published.

CGT Retirement Relief

Also pertinent to retirement planning for the farming sector were the changes announced to retirement relief from Capital Gains Tax. The relief is being extended to include disposals of land which had been leased for up to 25 years. In the case of disposals outside of the family the extension of the relief appears to cease on 31st December 2016.

Stamp Duty

A number of changes to Stamp Duty of benefit to this sector were also announced including the extension of consanguinity relief for three years subject to certain circumstances.

The detail of much of the changes outlined above is not yet available but we will, of course circulate them as soon as they become available.



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Income Tax, PRSI and other Information

Income Tax Rates	2015	2014
Standard Rate	20%	20%
Higher Rate	40%	41%

Standard Rate Bands	2015	2014
Single / Widowed		
No dependent children	€33,800	€32,800
With dependent children	€37,800	€36,800
Married – one income	€42,800	€41,800
Married – two incomes	€42,800 + Increase*	€41,800 + Increase
Increase is the lower of €24,800 and income of lower earning spouse. Increased from €23,800 in 2014.		

Income Tax Credits	No change
Personal	
Single	€1,650
Married	€3,300
PAYE / Employer Credit	€1,650
Incapacitated child	€3,300
Blind Person – single	€1,650
– married (both blind)	€3,300

Income Exemption Limits	No change
Single / Widowed (aged 65+)	€18,000
Married (aged 65+)	€36,000

PRSI Rates	A1	S1
Employee		
All Income (earnings less than €352pw exempt)	4%	4%
Employer		
All income	10.75%	n/a

Universal Social Charge Rates from 1 January 2015	Employee	Self Employed
Income up to €12,012	1.5%	1.5%
Between €12,013 and €17,576	3.5%	3.5%
Between €17,577 and €70,044	7%	7%
Between €70,045 and €100,000	8%	8%
Income in excess of €100,000	8%	11%

Total income less than €12,012 are exempt from the USC

Full Medical Card Holders & Over 70s	Employee	Self Employed
Income up to €12,012	1.5%	1.5%
Income in excess of €12,013	3.5%	3.5%
However those with earnings greater than €60,000 will pay the normal USC rates.		

Savings and Investment Tax	No change
DIRT	41%
Life Assurance Exit Tax - Personal Policies	41%
- Corporate Owned	25%
- Wrapper Products	56%

Social Welfare Benefits

For more information see www.welfare.ie

Social Welfare Benefits	Weekly No change
State Pension (Contributory)	
Personal Rate	€230.30
Personal + Adult dependant (over 66)	€436.60
Widow / Widowers under 66	€193.50
State Pension (Non-Contributory)	
Personal Rate	€219.00
Personal + Adult dependant (under 66)	€363.70
Widow/ Widowers under 66	€188.00
Invalidity Pension	
Personal Rate (65 and under)	€193.50
Personal + Adult dependant	€331.60
Disability Allowance	
Personal Rate	€188.00
Personal + Adult dependent	€312.80
Jobseekers / Illness Benefit	
Personal Rate	€188.00
Personal + Adult dependant	€312.80
Jobseeker's Allowance	
<u>18 to 24 years of age</u>	
Personal Rate	€100.00
Personal + Adult dependant	€200.00
<u>25 years of age</u>	
Personal Rate	€144.00
Personal + Adult dependant	€268.80
<u>26 years of age and over</u>	
Personal Rate	€188.00
Personal + Adult dependant	€312.80
Increase for each dependent child	€29.80
Where a person aged 18 to 24 has a dependent child the basic personal rate of €188 and not the reduced rate applies.	

Child Benefit (Children's Allowance)	2015	2014
Rate per child	€135.00	€130.00

Capital Acquisitions Tax for 2015		
Group A	€225,000 (Child)	
Group B	€30,150 (Lineal ancestor/descendant, brother, sister or child of brother / sister)	
Group C	€15,075 (Other)	
The thresholds apply to all gifts and inheritances received since 5 December 1991		
Tax Rate on all gifts/inheritances over thresholds		33%
Annual Gift Exemption		€3,000
The annual gift exemption can be availed of regardless of the relationship between disponent and beneficiary. The exemption is limited to one gift per beneficiary from each disponent in a calendar year. It does not impact the CAT thresholds above.		