Burton hints at U-turn on cuts to pension tax relief

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SOCIAL Protection Minister Joan Burton indicated yesterday that the Government may perform a U-turn on plans to further slash the tax relief on pensions.

New cuts to the tax relief available for saving for retirement would hit 'middle Ireland' hard.

Already, one in every five people who have a pension is planning to stop paying into a pension in the next year, Irish Life researchers have found.

Ms Burton made her comments after hearing stinging criticism of state policy on pensions by head of Irish Life Gerry Hassett at a conference.

Mr Hassett told her every single policy measure from the Government on pensions in recent years has been negative for retirement savings.

Ms Burton acknowledged pensions savings were being hit.

She said, "the Government and the Minister for Finance would look very carefully" at the issue when deliberating on the Budget.

"It is important to retain confidence in the pensions industry and confidence in the continuation of pensions savings," she added.

She stated that the universal social charge, introduced in the last Budget, was nothing more than a tax and Finance Minister Michael Noonan was likely to take this into account when framing his budget.

Reliefs

Ms Burton promised to review a report by actuarial consultants Milliman showing that changes introduced to pensions tax reliefs and the pensions levy on private schemes have already delivered savings of close to €1bn for the state.

But she stressed that the country was not in control of its own destiny and any change in policy would have to be agreed with the IMF/EU.

The last Budget stopped those saving for retirement from being able to claim relief on PRSI, which is 4pc. And those investing in pensions cannot get relief on the universal social charge, which is up to 7pc for employees.

As part of the IMF/EU bailout, the State has committed to reducing the income tax relief for those on the higher 41pc rate.

The Programme for Government promises to set the level of tax relief at 33pc for both higher and lower-rate taxpayers.

Irish Life's Mr Hassett told the 'Pension Tension' conference it would be difficult for financial advisers to recommend locking money away for 20 to 30 years, with relief set at 33pc, if the pension is then taxed at 41pc when they retire.

At the moment, a higher rate taxpayer can put €100 into a pension fund at a net cost of €59. But reducing the relief to 33pc would mean it would cost €67 to put €100 into a pension fund.

He added that 85pc of Irish Life pension customers earned €70,000 or less. This meant middle Ireland, already suffering from austerity measures, would be the big losers if tax reliefs were lowered further.

Gerry Hassett, CEO, Irish Life and Minister for Social Protection Joan Burton yesterday.