

Budget 2015

Pension Levy

Pension Levy to cease in 2015



The Pension Levy will reduce to 0.15% for the next calculation date of 30 June 2015 and cease after that.

The Pensions Levy has been around since 2011 and the amount taken by the government from pension savings had been increased to 0.75% for 2014. This increase had come in for a lot of criticism given previous commitments made by the government that the levy would not be increased or be extended.

However, as announced in the previous Budget, the Pension Levy will reduce to 0.15% for the next calculation date of 30 June 2015 and cease after that. 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

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Tax Relief

- €115,000 earnings cap remains unchanged for tax relief on contributions to employee/AVC contributions to occupational pension schemes, PRSAs and Personal Pensions.
- €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.

Standard Fund Threshold/Personal Fund Threshold

- €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%.

Approved Retirement Funds (ARFs)/ Approved Minimum Retirement Funds (AMRFs)

- 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.
- 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. Please note that this only applies to PRSA schemes and not to Occupational Defined Contribution (DC) or Additional Voluntary Contribution (AVC) schemes.

If you would like to discuss any of the topics above, please contact us.

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