PENSIONS
INVESTMENTS
LIFE INSURANCE

Irish Life

# PENSION TAX DEADLINE 2019

## ANSWERS TO ALL YOUR TAX DEADLINE QUESTIONS


This is not a customer document and is intended for Financial Advisors only

# CONTENTS



Individuals who both pay and file their tax returns through the Revenue On-line Service (ROS) have until **Tuesday 12th November 2019** to pay a pension contribution and elect to backdate the income tax relief against the 2018 tax year. Those who do not qualify for the ROS extension must do this by **31st October 2019**.

There is no option to defer. If they do not take this opportunity, they will not get another chance to reduce their 2018 income tax liability.

# WHO FILES A SELF-ASSESSMENT TAX RETURN?

- Self employed
- Propriety directors who own more than 15% of a company
- Those with non-PAYE income
- Members of company pension schemes who pay AVCs and want to backdate income tax relief to 2018

To avoid interest and surcharges they must by 31st October / 12th November 2019

- ✔ File their 2018 Income Tax Return
- ✔ Pay any balance of income tax outstanding for 2018
- ✔ Pay preliminary income tax for 2019

## FILING RETURNS ELECTRONICALLY

Certain individuals are required to file their tax returns electronically through the Revenue Online Service (ROS) system. These include self-assessed individuals claiming income tax relief on personal pension, Personal Retirement Savings Account (PRSA), Additional Voluntary Contribution (AVC) contributions as well as those claiming other reliefs such as artists' exemption, woodlands exemption, patent income exemption etc.

More information can be found on the Revenue's website **www.revenue.ie**

Those affected should ensure they are registered for ROS so they can claim all reliefs they are entitled to.

# SELF-EMPLOYED CLIENTS

## BACKDATING INCOME TAX RELIEF

A self-employed client who wants to pay a personal pension or PRSA contribution and backdate the income tax relief against their 2018 earnings needs to do the following

1. Pay the contribution to the life office or PRSA provider on or before the deadline, and
2. Submit their tax return to Revenue on or before the deadline

The deadline is 12th November 2019 for those who pay and file their returns using ROS. If there is any doubt about qualifying for the ROS extension we would recommend clients pay their pension contributions and file their tax return by 31st October to ensure they meet the deadline.

## CLAIMING INCOME TAX RELIEF ON PERSONAL PENSION OR PRSA CONTRIBUTIONS

In order to claim income tax relief on contributions to a personal pension or PRSA the individual must be "chargeable to tax in respect of relevant earnings". Relevant earnings refer to income of individuals who are:

**Self-employed** (income from a trade or profession taxed under Schedule D, Case I or II)

**Employees** (Schedule E, PAYE and not a member of a company pension scheme)

**Directors of companies** (Schedule E, PAYE and not a member of a company pension scheme)

Net relevant earnings are relevant earnings less charges in income (e.g. covenant payments, tax deductible maintenance payments, allowable interest) and losses or capital allowances related to the individual's relevant earnings.

- Investment income (e.g. rental income)
- Sleeping partner
- Earnings from an investment company where the client directly or in directly controls more than 20% or the company
- Pension income (annuity income) or payments from Approved Retirement Fund (ARF), Approved Minimum Retirement Fund (AMRF) or vested PRSA.
- Spouse's income as you cannot take out a pension for your spouse's income

# SUMMARY OF BACKDATING INCOME TAX RELIEF
## SELF EMPLOYED & PROPRIETARY DIRECTORS:

### DATE TO MAKE A CLAIM

- Must elect to backdate pension contribution by 31st October 2019
- ROS extension 12th November 2019

### FORMS REQUIRED TO MAKE A CLAIM

**Complete Income Tax Form 11**

Clients should **not** include Retirement Annuity Contract (RAC) or PRSA Certificates with their self-assessment tax return. Clients should instead retain supporting documents in case they are requested by Revenue as part of an audit at a later date.

### HOW TO MAKE A CLAIM

Return must be filed on ROS to claim income tax relief on pension contributions.

See **www.revenue.ie** for more information.

# CAN EMPLOYEES AVAIL OF THE TAX DEADLINE?

Employees can also pay a pension contribution and set it against their 2018 tax bill. To claim income tax relief on their pension contribution, employees must pay their contribution to the appropriate pension contract for their circumstances.

- **PRSA or Personal Pension:** where the employee had Schedule E income during 2018 but was not a member of their employer's company pension scheme.

- **AVC or PRSA AVC**: where the employee had Schedule E income during 2018, was a member of their employer's company pension scheme during 2018 and is still in that same employment.

  Once an employee leaves employment where they were a member of a company pension scheme, they cannot make any further pension contributions in respect of the income from that employment.

  Note: a termination payment made on leaving employment (under Section 123 TCA 1997) is not considered income for pension purposes. This would include termination payments on redundancy, payment in lieu of notice and other ex-gratia payments.

## BACKDATING INCOME TAX RELIEF

An employee has until 31st October 2019 to:

1. Pay their pension contribution to the appropriate pension contract (see above), and
2. Send their tax return to Revenue, electing to backdate the pension contribution to 2018 tax year

Where an employee elects to backdate a contribution to a previous tax year they need to ensure that relief has not already been given in the current tax year. Where the contribution is paid through payroll under the net pay arrangement income tax relief is automatic and is given in the current tax year.

## SUMMARY OF BACKDATING INCOME TAX RELIEF
EMPLOYEES & NON-PROPRIETARY DIRECTORS;

### DATE TO MAKE A CLAIM

**Must elect to backdate pension contribution by 31st October 2019 for 2018 tax year.**

Those who are required by Revenue to file a Form 12 for 2018 can opt to file online in which case they have until **12th November 2019** to pay their pension contribution and submit their tax return.

### FORMS REQUIRED TO MAKE A CLAIM

**Complete Income Tax Form 12**

Employees who have more than €30,000 gross non-PAYE income and more than €5,000 net non-PAYE income should submit Form 11 instead of Form 12.

RAC, PRSA or PRSA AVC Certificates should **not** be included with their tax return. Instead supporting documents should be kept in case they are requested by Revenue as part of an audit at a later date.

### HOW TO MAKE A CLAIM

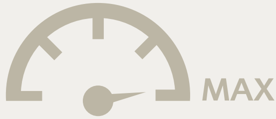
**Online:** file tax return through MyAccount or by their tax agents through ROS.

**Paper:** send their income tax form to their local tax office.

See **www.revenue.ie** for more information.

# MAXIMUM PENSION CONTRIBUTION ALLOWED

For contributions paid in 2019 and set against 2018 earnings, an earnings cap of €115,000 applies for tax relief purposes to the total contributions to PRSAs, personal pensions and employee / AVC contributions to company pension schemes.




| Age | % of Salary / Net Relevant Earnings |
|---|---|
| Under 30 | 15% |
| 30 to 39 | 20% |
| 40 to 49 | 25% |
| 50 to 54 | 30% |
| 55 to 59 | 35% |
| 60 and over | 40% |

Note:

1. These limits include any employer contributions to a PRSA
2. The earnings limit does not apply to employer contributions to company pension schemes
3. For company pension schemes the total contributions (employer, employee & AVC) must be within overall Revenue maximum contribution limits

# LATE RETURNS

Revenue will not permit tax relief to be backdated against 2018 if the client has not elected to claim the tax relief in that tax year as part of his tax return, or if a tax return has not been filed on time. This applies even if the pension contribution was paid by 31st October 2019.


Revenue has made an exception for PAYE employees who are not normally self-assessed where they:

- Pay a contribution by 31st October 2019, and
- Retire in the year in which the contribution was made i.e. retire in 2019, and
- File a return and elect to backdate the contribution on or before 31st December 2019

If the above conditions are met then income tax relief against 2018 can be claimed.

If a client is not eligible for tax relief for any reason, this is not grounds for a refund of contributions. If tax relief cannot be claimed currently, then the client may be able to carry the relief forward and claim relief against relevant earnings in the future.

# EARNING LIMIT AND INDIVIDUALS WITH DUAL INCOMES

Tax relief on pension contributions are subject to two limits:

- ✔ The age related percentage of salary as shown on previous page
- ✔ The earnings limit which is set at €115,000 for the 2018 and 2019 tax years

Where someone has two sources of income, one from an office of employment where they are a member of a contributory company pension scheme (pensionable employment) and the other either non-pensionable or from self-employment, the pensionable income uses up the earnings limit first.

## EXAMPLE 1

### Pensionable income greater than the €115,000 earnings limit

*John*

| | |
|---|---|
| Age | 45 |
| Employment Salary | €150,000 |
| Employee Contribution 5% | €7,500 |
| Self-employed Income | €45,000 |

### Pensionable Employment Salary

The maximum contribution John can make to his company pension is 25% of his salary, capped at €115,000.

That is 25% x €115,000 = €28,750.

As John is already paying €7,500 he has scope to pay further AVCs of up to €21,250.

### Self-Employed Income

John's pensionable income uses up all of the €115,000 earnings limit.

As such he cannot claim tax relief on any personal pension or PRSA contribution made against his self-employed income.

This will apply even if John does not pay the maximum AVC allowed to his company pension.

## EXAMPLE 2

### Total Income over the €115,000 earnings limit:

*Tom*

| | |
|---|---|
| Age | 45 |
| Employment Salary | €80,000 |
| Employee Contribution 5% | €4,000 |
| Self-employed Income | €55,000 |

### Pensionable Employment Salary

As age 45 the maximum contribution Tom can pay to his company pension is 25% of his salary.

That is 25% x €80,000 = €20,000.

As he is already paying €4,000 he has scope to pay AVCs of up to €16,000.

### Pensionable Employment Salary

Tom's pensionable income uses up the earnings limit first.

€115,000 less €80,000 leaves €35,000 of his self-employed income against which he can pay pension contributions.

The maximum personal pension or PRSA contribution he can pay against his self-employed income is 25% x €35,000 = €8,750.

This will apply even if Tom does not pay the maximum AVC allowed to his company pension.

## EXAMPLE 3

### Total Income less than €115,000 earnings limit:

*Kate*

| | |
|---|---|
| Age | 52 |
| Employment Salary | €30,000 |
| Employee Contribution 5% | €1,500 |
| Self-employed Income | €60,000 |

### Pensionable Employment Salary

Kate can pay a maximum contribution to her company pension of 30% of her salary.

That is 30% x €30,000 = €9,000.

She is already paying an employee contribution of €1,500 and so has scope to pay AVCs of up to €7,500.

### Pensionable Employment Salary

As Kate's total income is less than €115,000 the earnings limit has no impact on her paying pension contributions towards her self-employed income.

The maximum personal pension or PRSA contribution she can pay is 30% x €60,000 = €18,000.

PENSIONS
INVESTMENTS
LIFE INSURANCE

Irish Life

# CONTACT US


**PHONE:** 01 704 1010
8am to 8pm Monday to Thursday
10am to 6pm on Fridays
9am to 1pm on Saturdays

**FAX:** 01 704 1900

**EMAIL:** customerservice@irishlife.ie

**WEBSITE:** www.irishlife.ie

**WRITE TO:** Irish Life Assurance plc, Irish Life Centre, Lower Abbey Street, Dublin 1.



Irish Life Assurance plc, Registered in Ireland number 152576, VAT number 9F55923G.

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


**Please Note:** The information and tax rates contained in this document are based on Irish Life's understanding of legislation and Revenue Practice as at September 2019 and may change in the future. While great care has been taken to ensure the accuracy of the information contained in this document, Irish Life cannot accept responsibility for its interpretation nor does it provide legal or tax advice.


ILA 13334 (REV 09-19)