

JUNE 2006

6. To what type of pension product does the incentive apply?

The incentive applies to the investment of SSIA funds by way of:

- An AVC
- A contribution to a PRSA, or
- A premium paid under an RAC

7. What conditions must I satisfy to avail of the new incentive?

If you hold an SSIA and wish to avail of the new incentive you must satisfy the following conditions:

- Your gross income (i.e. before all deductions) in the tax year before the year in which your SSIA matures must not exceed €50,000*;
- You must invest some or all of your SSIA funds in a pension within 3 months of the maturity of your SSIA;
- You must not claim a tax deduction under normal tax rules in respect of the first €7,500 that you invest in the pension; and
- You cannot use the incentive to replace any amounts you are already committed to contribute to a pension product.

*Note: If, at the time that you are investing SSIA funds in a pension, your gross income has not been determined for the year concerned (i.e. the year before the year in which your SSIA matures) you may use the gross income figure of the previous year and this must not exceed €47,500.

8. How can I avail of the new pension incentive?

To avail of the new pension incentive, **when your SSIA matures**, you should:

- Obtain an **SSIA Maturity Statement** from the Financial institution where you had your SSIA;
- Give this Maturity Statement to your pension provider, together with your contribution to the pension product that you have chosen; and
- Complete and sign a declaration form (Form PITC2) which your pension provider will make available for you.

Once this has been done, the Exchequer contributions under the pensions incentive will be claimed by your pension provider from the Revenue Commissioners and invested in your pension product.

9. What is the best pension arrangement for me?

Before making a commitment to make a contribution to a pension product, you should consider the following points and seek independent advice where appropriate:

- Should I contribute using the existing tax rules or avail of the new Pensions Incentive?
- Which pension arrangement is suited to my personal circumstances?
- What fees, charges and commissions are involved?
- How much should I contribute?
- What benefits will I get when I retire?

10. Useful web sites for further information

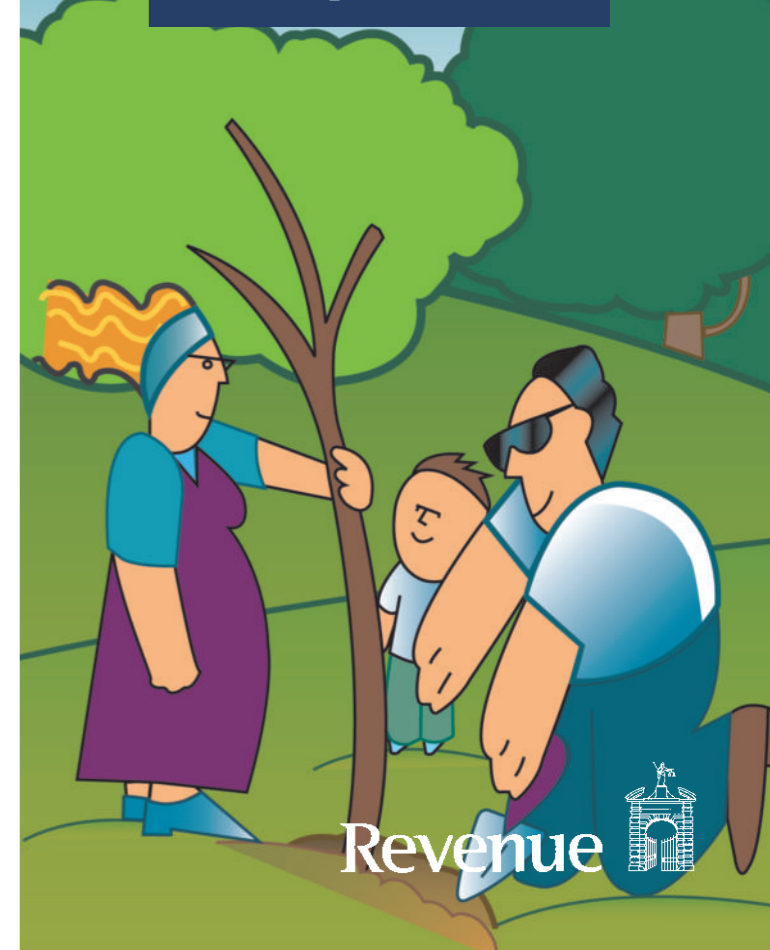
For general information about pensions

www.pensionsboard.ie

For Frequently Asked Questions (FAQs) regarding the new Pensions Incentive Scheme

www.revenue.ie

Tax Relief for Investment in a pension



general information
**Tax Relief for Investment
 in a pension**

www.revenue.ie

Revenue 

Revenue 

Put some or all of your SSIA funds in a pension product when it matures.

1. Introduction

This leaflet sets out, in general terms, how the Exchequer supports you in saving for a pension, whether by means of a tax deduction under normal tax rules, or under the new incentive to put some or all of your SSIA funds in a pension product when your SSIA matures.

2. What tax relief is available under normal tax rules?

Under normal tax rules you are entitled, subject to certain limits, to have the amount that you contribute to a pension deducted from your gross income before that income becomes liable to tax. In effect, tax relief is given at your marginal rate of tax. In addition, relief in respect of PRSI and levies may also be available. If you are an employee with an occupational pension scheme, your pension contributions will normally be made and relief given through the payroll system. Similar relief can be claimed through your tax office for contributions to other pension arrangements (see paragraph 3).

The maximum pension contributions, in any one year, for which you are entitled to tax relief, is related to your age and is expressed as a percentage of your gross income (up to a maximum gross income of €254,000) as follows:

| Highest age in year of pension contribution | % of gross income for which tax relief is available for pension contributions |
|---|---|
| under 30 | 15% |
| 30 to 39 | 20% |
| 40 to 49 | 25% |
| 50 to 54 | 30% |
| 55 to 59 | 35% |
| 60 and over | 40% |

3. Types of pension arrangements

There are several types of pension arrangements including the following:

- Company Pension Plans**
 (also known as occupational pension plans)
 These are set up by employers to provide benefits for their employees. This will involve a minimum contribution to the scheme by employees. In many cases there will be a facility for employees to make **additional voluntary contributions (AVCs)** in order to increase the level of benefits provided by the plan.
- PRSAs** (personal retirement savings accounts)
 A PRSA may be used by anyone to save for benefits e.g. employees, self-employed, homemakers, carers or unemployed. A PRSA may also be used as a way of making AVCs.
- RACs** (retirement annuity contracts)
 These are available to those who have non-pensionable earnings or who are self-employed.

4. New Incentive for SSIA holders

The purpose of this incentive is to encourage SSIA holders on lower incomes to put some or all of their SSIA proceeds on maturity into a pension product and to continue the savings habit through ongoing contributions into a pension. The incentive works as follows:

For each €3 of SSIA funds that you invest in a pension product, the Exchequer will contribute—

- An additional €1 up to a maximum of €2,500 contribution, and
- A proportion of the tax deducted from your SSIA when it matured.

When you are availing of the SSIA pensions incentive you cannot also claim a tax deduction for amounts up to €7,500 that you invest in a pension. In addition the first €7,500 of your investment in a pension product is not taken into account for the purpose of the limits set out in paragraph 2.

5. Examples of New Incentive

Supposing the exit tax deducted by your SSIA manager amounts to €230 leaving you with a balance of €13700 in your SSIA account.



If you invest the €13,700 in a pension the Exchequer contribution will be as follows—

- €2,500 (being €1 for every €3 up to a maximum of €2,500), and
- €230 (being all of the tax deducted from your SSIA since you invested all of your SSIA funds.)

The total Exchequer contribution to your pension product will be €2,730.

[In addition, you may be entitled to claim a tax deduction, under normal income tax rules, for the excess of your investment over €7,500 i.e. €6,200.]



If you decide to invest only €5,000 (this represents 36.5% of €13,700) in a pension then the Exchequer contribution will be as follows—

- €1,667 (being €1 for every €3), and
- €83.95 (being the same percentage (36.5%) of the SSIA tax as the percentage(36.5%) of SSIA funds invested in the pension). The total Exchequer contribution to your pension product will be €1,750.95.