



# TAX RELIEF

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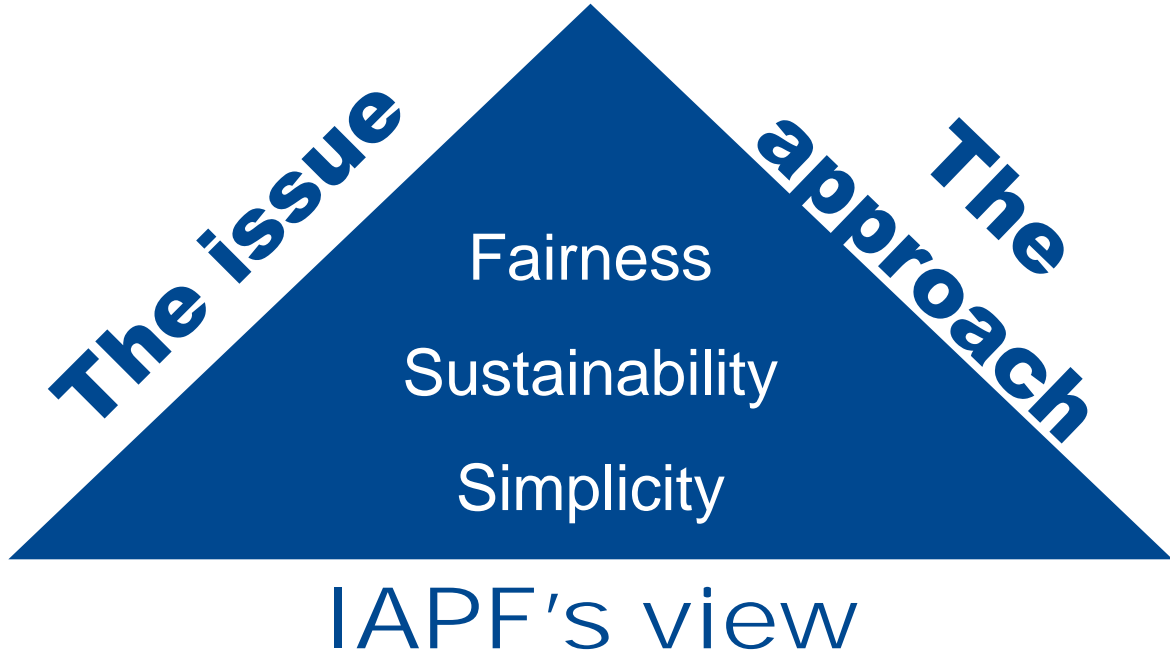
# Tax Relief

“May you live  
in interesting  
times”

(often referred to as the Chinese curse)



# Tax Relief





# The Issue

## National Recovery Plan – required savings

Year Implemented	Actions	Full Year Savings €m
2011	Reduce annual earnings cap to €115,000, Remove employee PRSI and Health Levy relief, Reduce Standard Fund Threshold	260
2012	Reduce max relief on contributions from 41% to 34%	225
2013	Reduce max relief on contributions from 34% to 27%	225
2014	Reduce max relief on contributions from 27% to 20%	225
<b>Total Projected Savings</b>		<b>940</b>



# The Issue

## National Recovery Plan – required savings

Year Implemented	Actions	Full Year Savings €m
2011	<b>€240m to come from Public Sector</b>	260
2012		225
2013		225
2014		225
<b>Total Projected Savings</b>		<b>940</b>



# The approach

## data driven

"Cost" of Tax Relief	2010
Employees' Contributions	531
Employers' Contributions	141
Exemption of Investment Income and Gains	900
Exemption of employers' contributions from employee BIK	487
Tax relief on "tax free" lump sums	150
Retirement Annuity Premiums	220
Personal Retirement Savings Accounts	105
PRSI and Health levy relief	200
<b>Gross cost of tax relief</b>	<b>2,734</b>
Estimated tax yield from payment of pensions	-445
<b>Net Cost of Tax Relief</b>	<b>2,290*</b>

\*Milliman report. - National Recovery plan – “just over €2.5bn plus €250m on PRSI and Health Levy”



# The approach

## data driven

<b>"Cost" of Tax Relief</b>	<b>2010</b>
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# The approach

## identify savings to date

Measure	Full Year €m
Employee PRSI on pension contributions	60
Employer PRSI on pension contributions	90
Contribution Limit	55
Maximum allowable pension funds	20
Approved Retirement Funds	5
Retirement Lump Sums	5
Extension of flexible options on retirement	-2
Employee PRSI & USC on public sector pensions levy	60
<b>Total projected Savings Budget 2011</b>	<b>293</b>



# The approach

identify savings to date

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Employee PRSI on pension contributions	60
Employer PRSI on pension contributions	90
Contributions on pension contributions	55
Maximum amount of pension contributions	20
Approved pension contributions	5
Retirement pension contributions	5
Extension of pension contributions	-2
Employee PRSI on pension contributions	60
<b>Total projected Savings Budget 2011</b>	<b>293</b>

**Don't forget the levy -  
€457m in 2011**



# The approach

## identify savings to date

Measure	Full Year €m
Agreed Total (from 2011)	293
Behavioural Impact	111
ARF	33
<b>Total Projected Savings 2011</b>	<b>437</b>

NRP Required Savings	
2011	€260m
2012	€225m
2013	€225m
2014	€225m

Pension Sector Contribution		
	Tax	Levy
2011	€437m	€457m
2012	€?m	€457m



# IAPF view

- The fundamentals have not changed.
  - We have an ageing population
  - We are not saving enough for retirement
  - Retirement Provision needs to be encouraged
- The changes made in the 2010 budget combined with the proposed limit of €60k of pension will leave us with a pension system that:
  - Is sustainable
  - Is fair and provides ordinary pensions for ordinary people
  - Encourages the provision of retirement savings



# IAPF view

## short term savings required

Target	€940m
Current Savings	€437m
Lower Lifetime Limit	€???
Further Behavioural	€???
Shortfall	€???

- AVC access
- Employer PRSI (EE cons)
- PRSA drawdown (over 60s)



# Q&A

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# THANK YOU

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