

Budget 2014 Further changes to Pensions



Budget 2014 includes a number of further changes to the Pensions. While Tax relief for pension contributions continuing at marginal rates of tax has been welcomed, the extension of the Levy is not so welcome.

Pension Levy

The 0.6% Pension levy was introduced in 2011 to fund a Jobs Initiative. It will be abolished in its current format from 31st December 2014. However, an additional levy on pension funds of 0.15% will be introduced for 2014. Therefore the total pension levy in 2014 will be 0.75%. This levy will reduce to 0.15% in 2015 and perhaps thereafter - this is yet to be clarified.

Further reduction in Pension Fund Lifetime Limit

The limit on the total capital value of pension benefits that an individual can accumulate in their lifetime has been further reduced. Benefits drawn after 7th of December 2005 have been reduced even further from €2.3 million to €2 million. This limit is known as the Standard Fund Threshold (SFT). Individuals with pension benefits in excess of €2 million on 1st January 2014 will be able to protect the capital value of those rights by claiming a Personal Fund Threshold (PFT) subject to a maximum of €2.3 million, being the old SFT. Those who already have a PFT will retain it and so will not need to take any further action.

Reduced Pension Lump Sum Limit

In addition to the reduction in the standard funding limits, there has also been a reduction in the level of the retirement lump sum chargeable at the standard rate, i.e. 20%. With effect from 1st January 2014, Retirement Lump Sums will be treated as follows:

Up to €200,000	=	Tax Free
Next €300,000	=	Standard Rate 20%
Balance	=	Subject to PAYE at marginal rate, PRSI & USC

This effectively is a further reduction in the Standard Fund Threshold of €37K.

As previously noted, with effect from 1st January 2014, the State Pension (Transition) is abolished and the State Pension will be payable from 66. This will increase to age 67 in January 2021 and 68 in January 2028.

To discuss any of the above points in greater detail please contact the Administration or your Pension Consultant directly.