**Latest News**

**Budget 2015 – Pensions left largely unchanged**

Pension Levy

The Minister has confirmed the commitment made in last year’s Budget that the pension levy will reduce to 0.15% in 2015 and that it will not extend beyond 2015. Since its introduction in 2011, the cumulative impact of the levy is that it has taken about 2.7% of private pension fund assets from 2011 to 2015. Confirmation that it will end next year is greatly welcomed.

Tax Relief

Tax relief for pension contributions continue at marginal rates. However, the higher rate of income tax will reduce to 40%. The 2015 rates of income tax will be:

|  |  |
| --- | --- |
| Standard Rate | 20% |
| Higher Rate | 40% |

Subject to affordability, individuals on the higher rate of tax should consider maximising their pension contributions before the end of 2014 in order to benefit from the higher rate of relief available at 41%. The following table shows the maximum contribution that can be paid in any tax year:

|  |  |
| --- | --- |
| Under Age 30 | 15% of Remuneration |
| Age 30 to 39 | 20% of Remuneration |
| Age 40 to 49 | 25% of Remuneration |
| Age 50 to 54 | 30% of Remuneration |
| Age 55 to 59 | 35% of Remuneration |
| Age 60 and Over | 40% of Remuneration |

“Remuneration” is defined as all income assessable under Schedule E from your employment (including benefit in kind and the value of shares provided under a Revenue approved share purchase plan) and is subject to the maximum net relevant earnings of €115,000. This earnings amount is to remain unchanged in 2015.

Pension Fund Lifetime Limit

The limit on the total capital value of pension benefits that an individual can accumulate in their lifetime remains unchanged for 2015 at €2 million. This limit is known as the Standard Fund Threshold (SFT). With positive investment returns and no change in the SFT, some members not previously affected may be drawing closer to the SFT. Please contact your CERS consultant to discuss this issue if you think you may be affected.

Separately, 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. Individuals affected by the changes in 2014 must claim their PFT electronically and a new system to process these applications was introduced in July 2014. Applications should be completed online before the 2nd July 2015. Those who already have a PFT in place prior to 2014 will retain it and so will not need to take any further action.

Other non-movers….

* The maximum lifetime tax free lump sum remains at €200,000. Lump sums between €200,000 and €500,000 are taxed at 20% with any lump sum above €500,000 treated as income and taxed under the PAYE system.
* The State pension also remains unchanged. The amount of state contributory pension for a single person is €230.30 per week.
* For Approved Retirement Funds (ARF), the income test is to remain at €12,700 per annum and the amount required to be transferred to an Approved Minimum Retirement Fund (AMRF) is €63,500. These amounts are due to increase automatically to the previous levels (of €18,000 per annum and €119,800 respectively) in March 2016 unless there is further legislation to keep the limits at the lower levels. Furthermore, the imputed distribution rate for ARF assets less than or equal to €2 million is to remain at 5% and for assets in excess of €2 million is to remain at 6%.
* Members continue to have access to drawdown up to 30% of their AVC funds up until March 2016 subject to income tax charged at marginal rates.

**And Finally…….**

31 October is an important date in all of our calendars. It represents a last chance to get some money back from the taxman. This is the final date on which you can claim tax relief on backdated AVCs. If you pay a lump sum AVC by cheque and claim tax relief on this AVC by 31 October you can get tax relief in respect of the ***previous***calendar year. For example, if you pay a lump sum AVC by 31 October 2014 you may get tax relief in respect of any unused tax relief for 2013 providing you claim this relief from the Revenue by the 31 October 2014.

***Example***

Additional Voluntary Contribution paid 25 October 2014:               €2,000

Reduction in 2013 tax bill (41% tax payer):                                       €820

Actual cost to you of additional €2,000 into your pension:              €1,180

Please note that the Revenue deadline is extended for members who complete their tax return online using the Revenue Online Service (ROS). This year the extended deadline is **13 November 2014.**

Please regularly refer to the NEWS section of our website [www.cers.ie](http://www.cers.ie) to keep up to date with developments in CERS and the pension industry.

If you have any queries regarding the information outlined above or if you wish to discuss your CERS pension arrangement please call us on (01) 407 1430 or email info@cers.ie.