

OCTOBER 4TH, 2017

A Pension is for Life, not just October



Laura Reidy

Talk to us today
about reviewing
your investment
needs

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It might be a stretch to say pensions are "in vogue" but they are certainly topical! Leo Varadkar recently gave assurances that the government will publish a five-year roadmap for pension reform before the end of the year and that auto-enrolment will play a central part. Auto-enrolment will remove the element of procrastination and force people to make a start on their pension.

Equally important to increasing pension coverage is for the government to maintain all pension tax incentives, for example income tax relief on contributions. As we are fast approaching the "Pay and File" deadline, you have the opportunity to reduce your income tax liability and to potentially grow your retirement pension pot.

Income Tax Relief on Contributions

Income tax relief is still available on contributions made personally to a pension. Relief is available on up to 40% of the contribution for a top rate tax payer, or 20% for a standard rate tax payer. Those who both pay and file their tax returns through the Revenue Online Service (ROS) have until Tuesday, 14th November 2017 to pay a pension contribution and elect to backdate the income tax relief against the 2016 tax year. Those who do not qualify for the ROS extension must do this by 31st October 2017.

Backdating Income Tax Relief

If you are self-employed and you wish to make a personal pension or PRSA contribution and backdate the income tax relief against your 2016 earnings, you will need to:

1. Pay the contribution to your pension provider on or before the return filing date, and
2. Submit your tax return to Revenue on or before the return filing date.

Can Employees avail of the Tax Deadline?

As an employee, you also have the opportunity to pay a pension contribution and set it against your 2016 tax bill. To claim income tax relief, you must pay your contribution to the appropriate pension contract for your circumstances.

- PRSA or Personal Pension: where you are an employee with Schedule E income during 2016 but not a member of your employer's company pension scheme.
- AVC or PRSA AVC: where you are an employee with Schedule E income during 2016, a member of your employer's company pension scheme during 2016 and still in that same employment.

Maximum Pension Contributions Allowed

For contributions paid in 2017 and set against 2016 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 occupational pension schemes.

The following table sets out the maximum allowable tax relief limits for pension contributions based on increasing age bands:

| Age | % of Net Relevant Earnings |
|----------|----------------------------|
| Up to 29 | 15% |
| 30 – 39 | 20% |
| 40 – 49 | 25% |
| 50 – 54 | 30% |
| 55 – 59 | 35% |
| Over 60 | 40% |

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Based on our experience with prospective clients, many people tend to view the pension deadline as simply an opportunity to reduce their income tax bill. This may be true, but it is equally important to consider how your current and historic pension contributions are invested. Cantor Fitzgerald can work with you to review your pension arrangements and formulate a cohesive retirement and investment strategy.

To speak with a Portfolio Manager or Account Executive, phone the Cantor Fitzgerald dealing desk on 01 633 3633.

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