

The information and tax rates contained in this presentation are based on Irish Life's understanding of legislation and Revenue practice as at September 2020 and may change in the future. This has not been prepared based on the financial needs or objectives of any particular person, and does not take account of the specific needs or circumstances of any person. While great care has been taken to ensure the accuracy of the information contained in these slides, Irish Life cannot accept responsibility for its interpretation nor does it provide legal or tax advice.



Irish Life

Income Tax Examples With & Without Pension Payments

How to Calculate Income Tax liability

Standard Rate Bands

Single / Widowed No Children	€35,300
With dependent children	€39,300
Married , one income	€44,300
Married , two incomes	€44,300 + increase
Increase is the lower of €26,300 and the income of lower earning spouse	

Steps

- 1 Add up all income
- 2 Deduct charges & reliefs
- 3 Work out tax liability
- 4 Deduct tax credits

Tax Credits

Single	€1,650
Married	€3,300
Single Person Child Carer	€1,650
PAYE	€1,650
Earned Income (Self Employed)	€1,500 max
Single Age Allowance (age 65 or over)	€245
Married Age Allowance (age 65 or over)	€490

Other tax credits may apply depending on individual circumstances

Step1: Add Up All Income

Example without Pension Payment

Salary	€40,000
Bonus	€9,000
Benefit-In-Kind (BIK)	<u>€2,500</u>
Gross Income	€51,500

Example with Pension Payment

Salary	€40,000
Bonus	€9,000
Benefit-In-Kind (BIK)	<u>€2,500</u>
Gross Income	€51,500

Step2: Deduct Charges & Reliefs

Example without Pension Payment

Gross Income	€51,500
No Deductions	<u>€ 0</u>
Net Income	€51,500

Example with Pension Payment

Gross Income	€51,500
Pension Payment	<u>- €10,000</u>
Net Income	€41,500

Step3: Work Out Tax Liability

Example without Pension Payment

Taxable Income is €51,500

Standard Rate Band (Married)

€44,300 x 20% = €8,860

Balance at Higher Rate

€7,200 x 40% = €2,880

Sum of Standard & Higher €11,740

Example with Pension Payment

Taxable Income is €41,500

Standard Rate Band (Married)

€41,500 x 20% = €8,300

Balance at Higher Rate

€0 x 40% = € 0

Sum of Standard & Higher €8,300

Step4: Deduct Tax Credits

Example without Pension Payment

Sum of Standard & Higher Rate	€11,740
Less Married Tax Credit	- €3,300
Less PAYE Tax Credit	- <u>€1,650</u>
Tax Due	€6,790
Gross Income	€51,500
Less Tax Due	- <u>€6,790</u>
Net Income	€44,710

Example with Pension Payment

Sum of Standard & Higher Rate	€8,300
Less Married Tax Credit	- €3,300
Less PAYE Tax Credit	- <u>€1,650</u>
Tax Due	€3,350
Gross Income	€51,500
Less Tax Due	- <u>€3,350</u>
Net Income	€48,150

Summary

Example without Pension Payment

Gross Income	€51,500
Pension Payment	€0
Income Tax Paid	€6,790
Net Income	€44,710

Example with Pension Payment

Gross Income	€51,500
Pension Payment	€10,000
Income Tax Paid	€3,350
Net Income	€48,150
Net Income after Pension Payment	€38,150

- The figures above do not include deductions for USC or PRSI
- Pension income in retirement is subject to income tax, USC & PRSI

How to Calculate Marginal Tax Rate

By making a pension payment income tax was

reduced from €6,790

to €3,350

which equals a saving of **€3,440**

- The €3,440 savings is the tax relief granted on the pension payment of €10,000
- The pension payment reduced the clients taxable income so part of the relief was granted at 40% and part at 20%
- Marginal rate is $(€3,440 / €10,000) \times 100 = 34.4\%$

Calculation Breakdown

Gross Income	€51,500
Standard Rate Band (married)	€44,300
Net Income	€41,500
Pension Payment	€10,000
• €2,800 within standard rate cut off with relief given at 20%	€560
• €7,200 standard rate cut off with relief given at 40%	+
	€2,880
Total Saving of	€3,440

Important Information

While individual's may avail of income tax relief on their pension payments

- Tax relief is restricted to the limits shown across
- They will not have access to their pension until they retire
- Their pension may be subject to investment risk and they could lose some or all of their money
- Pension income in retirement is subject to income tax, USC & PRSI

Age	% of Net Relevant Earnings*
Under 30	15%
30 – 39	20%
40 – 49	25%
50 – 54	30%
55 – 59	35%
60+	40%

* An earnings cap of €115,000 applies to the total payments to PRSAs, personal pensions and employee / AVC payments to company pension schemes



Irish Life



Please note: The information and tax rates contained in this presentation are based on Irish Life's understanding of legislation and Revenue practice as at September 2020 and may change in the future. This has not been prepared based on the financial needs or objectives of any particular person, and does not take account of the specific needs or circumstances of any person. While great care has been taken to ensure the accuracy of the information contained in these slides, Irish Life cannot accept responsibility for its interpretation nor does it provide legal or tax advice.