CHAPTER 25

Limit on Tax Relieved Pension Funds

Introduction

25.1

Chapter 2C[1]of, and **Schedule 23B** to, the **Taxes Consolidation Act 1997** (TCA 1997) deal with the limit on tax-relieved pension funds. These provisions, which were originally inserted into the TCA 1997 by the 2006 Finance Act, impose a maximum allowable retirement pension fund for tax purposes.

The provisions operate by imposing a lifetime limit, or ceiling, on the total capital value of pension benefits that an individual can draw in their lifetime from tax relieved pension products where those benefits are taken or come into payment for the first time on or after 7 December 2005 (benefits which came into payment prior to 7/12/2005 are ignored). This limit is called the standard fund threshold (SFT) and is currently €2m (see **paragraph 25.2**). In certain circumstances, a higher threshold called the personal fund threshold (PFT) may apply (see **paragraph 25.3**). In many cases individual pension funds will be restricted to lower limits reflecting Revenue maximum benefit rules.

On each occasion on or after 7 December 2005 that an affected individual becomes entitled to receive a benefit (e.g. a pension, retirement lump sum etc.) under a pension arrangement (referred to in the legislation as a "benefit crystallisation event" or BCE – see **paragraph 25.4**), they use up part of their SFT or PFT to the extent of the capital value of that benefit.

When the capital value of a BCE (either on its own or when added to BCEs that have been taken since 7 December 2005) exceeds an individual's SFT or PFT, a "chargeable excess" arises equal to the amount by which the fund threshold is exceeded (see **paragraph 25.6**). The whole of the amount of the chargeable excess is subject to an upfront income tax charge of 41%, which the pension scheme administrator is required to deduct and pay to the Collector-General.

This Chapter summarises how the provisions operate and how any tax charge is calculated. The topics covered in this Chapter are:

[1] Chapter 2C contains sections 787O to 787U.

Standard Fund Threshold (SFT)

25.2

The SFT is the generally applicable maximum tax relieved pension fund[2] for an individual and, as provided for in **section 18 Finance (No. 2) Act 2013** which amended **section 787O** of the TCA, is set at €2m from 1 January 2014 (the "specified date"). The Minister for Finance may amend the SFT from 2015 in line with an earnings adjustment factor.

From 7 December 2010 to 31 December 2013 the SFT was €2.3m

The amount of the SFT prior to 7 December 2010 was:

Tax Year	Factor	SFT
2005	n/a	€5,000,000 (from 7 December 2005)
2006	n/a	€5,000,000
2007	1.033	€5,165,000
2008	1.049	€5,418,085
2009	1	€5,418,085
2010	1	€5,418,085 (to 6 December 2010)

Personal Fund Threshold (PFT)

25.3

A PFT is an increased maximum tax relieved pension fund which may apply instead of the SFT where the capital value of an individual's pension rights on the "specified date" (within the meaning of **section 787O**) exceeds the amount of the SFT which applies on that date. As noted in **paragraph 25.2**, **section 18 Finance (No. 2) Act 2013** amended the SFT for the tax year 2014 to €2m (from the previous value of €2.3m). In addition, the specified date was amended to 1 January 2014 (from 7 December 2010).

Individuals with pension rights whose capital value as at 1 January 2014 exceeds €2m are able to protect that higher capital value (up to an amount not exceeding the previous SFT of €2.3m) by claiming a PFT from the Revenue

[2] The maximum tax relieved pension fund is the limit on the capital value of pension benefits (benefit crystallisation events) that may be drawn down by an individual on or after 7 December 2005, without the application of excess fund tax.

Commissioners. Details of the procedures for making a PFT notification on or after 1 January 2014 are set out below.

Calculation of a PFT

A PFT is calculated by taking the sum of the capital values on 1 January 2014 of all of an individual's

- "uncrystallised" pension rights[3] , i.e. pension rights that the individual is building up on that date but has not yet become entitled to, and

- "crystallised" pension rights[4], i.e. pension benefits that an individual has already become entitled to from any pension arrangements since 7 December 2005.

Where, on 1 January 2014, the overall capital value of an individual's pension rights exceeds the SFT of €2 million, that higher amount will be the individual's PFT. The maximum PFT will be €2.3m (i.e. the previous SFT limit) except where an individual holds a PFT issued in accordance with the legislation as it applied before 18 December 2013 (i.e. the date **Finance (No.2) Act 2013** was enacted). Such an individual retains that PFT and there is no need to make a new application to Revenue.

Determination of pension rights for PFT purposes

In the case of ***uncrystallised rights***, the capital value of defined contribution (DC) arrangements for PFT purposes is the value of the assets in the arrangement that represent the member's accumulated rights on 1 January 2014, i.e. the value of the DC fund on that date.

The position is different for members of defined benefit (DB) arrangements because such arrangements do not have an individual "earmarked" fund for each member.

Where a DB arrangement provides a lump sum commutation option, the amount of a member's pension rights is the annual amount of the gross pension (i.e. before any commutation for a lump sum) that would have been payable under the rules of the arrangement if the member had retired on 1 January 2014 at his/her salary and service on that date and on the assumption that he/she had attained normal retirement age on that date, multiplied by 20.

[3] For example, rights under defined benefit (DB) and defined contribution (DC) occupational pension schemes, AVCs, retirement annuity contracts and PRSAs.

[4] For example, the commencement of a pension or annuity, the receipt of a retirement lump sum or the proceeds of a pension fund being placed in an Approved Retirement Fund (ARF), an Approved Minimum Retirement Fund (AMRF) or retained in a vested PRSA. These are known as "benefit crystallisation events" (BCEs).

Where a DB arrangement provides a separately accrued lump sum entitlement (otherwise than by way of commutation of part of the pension) e.g. public service schemes, the value of the lump sum entitlement (calculated on the same assumptions as in the preceding paragraph) is added to the capital value of the DB pension to arrive at the overall capital value of the member's pension rights on 1 January 2014.

In the case of ***crystallised rights***, the capital value of the pension benefits from DC arrangements is the value of the cash/assets that were used, for example, to purchase an annuity or that were transferred to an ARF. The value of a retirement lump sum is the amount of the lump sum paid.

For a DB arrangement with a lump sum commutation option, the capital value of the crystallised pension benefits is the gross amount of pension that would have been payable (before any commutation for a lump sum) in the first 12 months from the date the individual became entitled to it, multiplied by 20 (the standard capitalisation factor).

Where a DB arrangement provides for a separately accrued lump sum (other than by way of commutation of part of the pension), the capital value of the crystallised pension benefits is the amount of pension paid in the first 12 months from the date the individual became entitled to it multiplied by 20 plus the cash value of the separate pension lump sum at that time.

Notes:
1. The gross amount of the DB pension is the amount payable, or as the case may be, paid in the first 12 months - it is not, in the case of a DB pension with commutation option, the initial annual rate of pension actually paid or the current annual rate of the pension.
2. The higher age–related valuation factors which apply for determining the capital value of DB pension benefits at the point of retirement, where an individual retires after 1 January 2014 (see **Schedule 23B**) must **not** be used for PFT purposes.
3. The value of a lump sum is the amount before excess lump sum tax, if any.

Procedures for making a PFT notification on or after 1 January 2014

Section 787P TCA 1997 requires that a PFT notification in respect of the capital value of pension benefits on 1 January 2014 must be made electronically within 12 months of a new electronic notification system being made available by Revenue. However, regardless of this 12 month period, where an individual becomes entitled to a pension benefit (i.e. a benefit crystallisation event occurs) after 1 January 2014 (e.g. through retirement) in circumstances where he or she would be claiming a PFT, the notification must be submitted to Revenue prior to the BCE arising.

Revised July, 2015

As the electronic system was made available on 1 July 2014, the deadline was originally set at 1 July 2015. This deadline was subsequently extended however to 31 July 2015.

For the purposes of the application an individual must

- provide basic identifying information about him or herself and the various pension arrangements he or she is a member of,
- obtain from the administrator of each pension arrangement of which he/she is a member, a statement -
    - certifying the capital value of his/her pension rights (both crystallised and uncrystallised) on 1 January 2014 in relation to each arrangement, calculated in accordance with the provisions of **Schedule 23B** , and
    - in the case of a DB arrangement, certifying the annual amount of pension accrued at 1 January 2014 underpinning that calculation (see above for details of how this amount is computed).

Miscellaneous

PFT certificates issued by Revenue stating the amount of an individual's PFT should be retained as they will be required by pension scheme(s) administrator(s) when retirement benefits eventually come into payment to determine if a chargeable excess arises.

The Revenue Commissioners may withdraw a certificate issued in respect of a PFT and, where appropriate, issue a revised certificate if it subsequently transpires that the information included in the PFT notification is incorrect or it comes to light that the individual is not entitled to a PFT.

As with the SFT, there is provision for amending the PFT from 2015 in line with an earnings adjustment factor.

An individual who received a PFT certificate from the Revenue Commissioners following the introduction of the limit on tax-relieved pension funds on 7 December 2005 or following the reduction of the SFT from just over €5.4 m to €2.3m on 7 December 2010 continues to be entitled to the amount on that certificate as amended, as appropriate, in line with the earnings adjustment factors applicable since the PFT was granted and there is no need to apply to Revenue for a new certificate.

Examples

The following examples illustrate how the PFT provisions operate in practice.

Example 1

The capital value of Paul's pension fund on 1 January 2014 (i.e. his uncrystallised pension rights) was €1.5m. He had not become entitled to any pension rights since 7 December 2005. As the capital value of Paul's uncrystallised rights on 1 January was below the SFT of €2m, he cannot claim a PFT and the maximum allowable pension fund for tax purpose that he can build up is €2m.

Example 2

The capital value of John's uncrystallised pension rights on 1 January 2014 was €2.2m. He had not become entitled to any pension rights since 7 December 2005. As the capital value of John's uncrystallised pension rights exceeded the SFT of €2m, he is entitled to claim a PFT of €2.2m.

Example 3

Mary had uncrystallised pension rights valued at €2m on 1 January 2014. She became entitled to pension benefits under another scheme on 1 January 2011, with a capital value of €0.5m. The combined value of Mary's crystallised and uncrystallised pension rights is €2.5m. As this amount exceeds the old SFT of €2.3m, the maximum PFT she can claim is €2.3m.

Example 4

Jean had uncrystallised pension rights on 7 December 2010 valued at €4m and had crystallised pension benefits under another scheme on 1 July 2006 with a capital value of €2m. As the combined value of Jean's crystallised and uncrystallised pension rights on 7 December 2010 exceeded the (then) SFT of €2.3m, she applied for, and received, a PFT of €5,418,085, i.e. the amount of the SFT which applied from 7 December 2005 to 6 December 2010 (as adjusted by the earnings adjustment factors designated by the Minister for Finance). She continues to be entitled to the amount on that certificate and she is not required to apply for a new PFT.

Example 5

Ben is a member of a DB scheme on a salary of €200,000 and had 39 years service on 1 January 2014. The scheme provides for a separately accrued lump sum entitlement. His accrued pension rights on that date were an annual pension of €97,500 (€200,000 x 1/80 x 39) and a gratuity of €292,500 (€200,000 x 3/80 x 39). He may claim a PFT of €2,242,500, calculated as follows: (Annual pension €97,500 x 20 = €1,950,000 + gratuity of €292,500).

If the scheme had provided for a lump sum commutation option instead of a separately accrued lump sum entitlement, the amount of Ben's pension rights would be the annual amount of the gross pension (i.e. before any commutation for a lump sum) multiplied by 20.

Benefit Crystallisation Events (BCE)

25.4

A BCE occurs on each occasion that, in relation to a “relevant pension arrangement” of which the individual is a member, any of the following takes place:

1. The individual takes a pension, annuity or retirement lump sum.

2. The individual exercises an ARF option.

3. The individual doesn’t elect under **section 787H(1)** to transfer PRSA assets to an ARF and instead retains the assets in a PRSA.

4. A payment or transfer is made to an overseas pension arrangement.

5. There is an increase in a pension which an individual becomes entitled to on or after 7 December 2005 in excess of the “permitted margin” (viz. the greater of 5% p.a. or CPI plus 2%). This is an anti-avoidance measure to prevent commencement of a pension at a low rate in order to bring the capital value of the pension benefit below the SFT, with the pension subsequently increased at an accelerated rate after the benefit has been valued for BCE purposes.

A “relevant pension arrangement” means any one or more of the following –

- a retirement benefits scheme, within the meaning of **section 772**, approved by the Revenue Commissioners for the purposes of **Chapter 1 of Part 30, TCA 1997**,

- an annuity contract or a trust scheme or part of a trust scheme approved by the Revenue Commissioners under **section 784**,

- a PRSA contract, within the meaning of **section 787A**, in respect of a PRSA product within the meaning of that section,

- a qualifying overseas pension plan within the meaning of **Chapter 2B of Part 30, TCA 1997**,

- a public service pension scheme within the meaning of **section 1 Public Service Superannuation (Miscellaneous Provisions Act 2004)**,

- a statutory scheme, within the meaning of **section 770(1)**, other than a public service pension scheme referred to in the previous bullet.

Payment of death in service benefits or a dependant's pension is not a BCE.

When a BCE arises, a capital value must be attributed to the benefit and this is tested against the individual's SFT or PFT by the scheme administrator.

Where two, or more, BCEs occur on the same day, the individual must determine the order in which they are to be deemed to occur. If entitlements from different arrangements occur on the same day, and a chargeable excess arises, the individual may choose which entitlement gives rise to the excess and which administrator should deal with it.

How is the capital value of a BCE calculated?

In the case of DB pension arrangements, the capital value of pension rights drawn down after 1 January 2014 is determined by multiplying the gross annual pension that would be payable to the individual (before commutation of part of the pension for a lump sum) by the appropriate age-related valuation factor as provided for in the Table to **Schedule 23B**.

If the DB arrangement provides for a separate lump sum entitlement (otherwise than by way of commutation of part of the pension) e.g. most public service schemes, the value of the lump sum is added to the capital value of the DB pension to arrive at the overall capital value.

However, where part of a DB pension has been accrued at 1 January 2014 and part after that date, transitional arrangements allow the capital value of the pension at retirement to be calculated by way of a "split" calculation, so that the part accrued up to 1 January 2014 (called the "accrued pension amount") is valued at a factor of 20 and the part accrued after that date is valued at the appropriate higher age-related factor as set out in the Table to **Schedule 23B**. A condition of applying the "split" calculation is that the administrator concerned is satisfied from information and records available to the administrator that an accrued pension amount arises in relation to the DB pension in question.

For DC pension arrangements, the capital value of pension rights when they are drawn down after 1 January 2014 is the value of the assets in the arrangement that represent the member's accumulated rights on that date. For example, in the case of an annuity, it is the value of the assets used to purchase the annuity.

The value of a retirement lump sum is the amount of the lump sum (before excess lump sum tax, if any).

In the case of lump sum benefits, the exercise of an ARF option, or an overseas transfer, the value is the actual amount paid or transferred.

In the case of an increase in a pension in payment in excess of the "permitted margin", the value is calculated by applying the appropriate age-related factor as set out in the Table to **Schedule 23B** (see **paragraph 25.10**) to the amount of annual pension which exceeds the "permitted margin".

In a case involving the retention of assets in a PRSA, the amount crystallised is the aggregate of the retirement lump sum and the market value of any assets retained in the PRSA.

Examples

The following examples illustrate how this applies.

Example 6

Michael is a member of a DC pension scheme. He has no PFT. Michael retires on 1 July 2015. The value of his DC fund on that date is €1.5m. As this is below the SFT of €2m no chargeable excess arises.

Example 7

Jim is a member of a private sector DB scheme. He retires on 1 February 2020 aged 65. The relevant age-related valuation factor applying to Jim is, therefore, 26. The annual amount of pension that his scheme would pay him on retirement (before any commutation of part of the pension for a lump sum) is €75,000. Jim's pension fund administrator is aware that €50,000 of this pension had already been accrued at 1 January 2014 (i.e. the accrued pension amount). The administrator calculates the capital value of Jim's pension rights at retirement for BCE purposes as follows:

€50,000 x 20 = €1m (i.e. accrued pension amount x the standard valuation factor)
€25,000 x 26 = €0.650m (pension accrued after 1 January 2014 x age-related factor)
Capital Value = €1.65m.

As the capital value of Jim's retirement benefits based on the "split" BCE calculation is less than the SFT, no chargeable excess arises.

Example 8

Lucy retires at age 60. She does not have a PFT. Her annual DB pension at retirement is €90,000 (before commutation for a lump sum). The relevant age-related valuation factor applying to Lucy is 30. Lucy's pension fund administrator is aware that €45,000 of her pension had already been accrued at 1 January 2014 (i.e. the accrued pension amount). The administrator calculates the capital value of Lucy's pension rights at retirement for BCE purposes as follows:

€45,000 x 20 = €0.900m (accrued pension amount x the standard valuation factor)
€45,000 x 30 = €1.350m (pension accrued after 1 January 2014 x age-related factor)

Capital Value =	€2.250m
Less SFT =	€2.000m
Chargeable excess =	€0.250

As Lucy has a chargeable excess of €250,000, she is liable to chargeable excess tax of €102,500 (i.e. €250,000 @ 41%). The pension fund administrator must pay this tax to Revenue upfront and recover it from Lucy.

BCE Certificate

25.5

In order that an administrator may determine if a chargeable excess arises, information on any previous BCEs is needed and a declaration must be completed by the individual. There is provision for an administrator to withhold payment of benefits until such time as a completed declaration is provided. The administrator must retain the declarations for a period of 6 years and make them available to Revenue on request. The format of the declaration is at **paragraph 25.8**.

Chargeable Excess

25.6

When the capital value of a BCE, either on its own or when aggregated with a previous BCE which occurred since 7 December 2005, exceeds the SFT or a PFT, a chargeable excess arises. The following examples illustrate how this applies in practice:

Example 9

The amount arising exceeds the amount of the SFT available at the date of the BCE.

Value of current BCE	€4.0m

SFT	€2.0m
Chargeable excess	€2.0m

Example 10

Not all of the individual's PFT is available as part of the amount was utilised in earlier BCEs.

PFT	€5m
Value of earlier BCE	€4m
Remaining PFT	€1m
Value of current BCE	€2m
Chargeable excess	€1m

Example 11

None of the SFT is available as it was fully used by a previous BCE.

SFT	€2m
Value of earlier BCEs	€3m
Chargeable excess	€1m
Remaining SFT	Nil
Value of current BCE	€0.2m
Chargeable excess	€0.2m

The full amount of a chargeable excess is subject to an upfront income tax charge of 41% under Case IV of Schedule D in the year of assessment in which the BCE giving rise to the chargeable excess occurs. No reliefs, allowances or deductions may be set against the chargeable excess when computing the amount of tax due. In certain circumstances, however, standard rate lump sum tax may be offset against tax due on a chargeable excess (see **paragraph 25.9**).

The administrator of a pension arrangement who deducts tax from a chargeable excess in accordance with **section 787R TCA 1997** must submit a Form 787S to the Collector-General and pay the tax, by electronic fund transfer (EFT), within 3 months of the end of the month in which the BCE giving rise to the chargeable excess occurs.

The chargeable excess should **not** be included on forms P30, P35, P45, P60 etc.

Tax on a chargeable excess is payable by the administrator of the relevant pension arrangement in the first instance although both the administrator of the relevant pension arrangement and the individual are jointly and severally liable for the tax due. This means that both the administrator and the individual are equally and separately liable for the whole charge to tax and that payment by one will discharge the liability of the other to the extent of the payment made. The liability arises irrespective of whether or not either or any of them are resident in the State.

The legislation also permits documentation governing a pension arrangement to allow for the commutation of so much of an individual's entitlement, as may be necessary, to discharge a tax liability arising from a chargeable excess.

Recovery of chargeable excess tax paid by an administrator

In the case of private sector DB pension arrangements, **section 787Q** provides for an administrator to recover any chargeable excess tax paid either by way of an actuarial reduction in the individual's pension rights or by arranging to be directly reimbursed by the individual.

In the case of public sector DB pension arrangements, a range of reimbursement options were introduced in Finance Act 2012 and these were amended and extended in Finance (No.2) Act 2013. Under the current legislation the following options are now available from 1 January 2014.

1. Where the excess fund tax amounts to 20% or less of the tax-free lump sum net of any standard rate tax (referred to as the 'net lump sum'), the reimbursement of the chargeable excess tax is to be by way of:
   (i) appropriation from the net lump sum,
   (ii) payment by the individual to the administrator,
   (iii) a combination of (i) and (ii), or
   (iv) solely by way of a reduction in the gross pension payable to the individual over a period not exceeding 20 years.

2. Where the excess fund tax is greater than 20% of the net lump sum, the reimbursement of the chargeable excess tax is to be by way of:
   (i) appropriation of not less than 20% of the net lump sum,
   (ii) payment by the individual to the administrator of an amount that equates to at least 20% of the net lump sum, or
   (iii) a combination of (i) and (ii), such that the aggregate is not less than 20% of the net lump sum,

   with any balance to be reimbursed by:
   a) reducing the gross pension for an agreed period of up to 20 years,
   b) a payment by the individual to the administrator within 3 months of the relevant BCE, or
   c) a combination of both (a) and (b).

   or

   (iv) solely by way of a reduction in the gross pension payable to the individual over a period not exceeding 20 years.

Where an individual agrees to pay an amount to a public sector pension administrator to reimburse the administrator for tax paid "up-front" on a chargeable excess, rather than the administrator appropriating part of the net lump sum for that purpose, that payment must be made before the administrator pays over the lump sum, or the appropriate part of the lump sum, to the individual.

From 8 February 2012 to 31 December 2013, the reimbursement options were, the same as those set out above, other than:

- The applicable percentage rate was 50% rather than 20%,
- The period over which the gross pension could be reduced under Option 2 to recoup the balance of the chargeable excess tax was 10 years rather than 20 years, and
- Options (1)(iv) and (2)(iv) did not apply.

Chargeable Excess Tax Paid by Administrator

Where the tax arising on a chargeable excess is paid by the administrator, and is not recovered from the individual by restricting benefits, the amount of tax paid will be considered a benefit and subject to tax in its own right. For example:

On 1 March 2015, the capital value of benefits for an individual without a PFT is €2.1m which gives a chargeable excess of €100,000 (€2.1m – SFT of €2m), tax due €100,000 @ 41% = €41,000. If the administrator pays the tax without recovering it from the individual, a grossing up calculation is required to arrive at the correct tax liability due:

The chargeable excess of €100,000 is taken to be the after tax balance of a chargeable excess which has been taxed @ 41%. The €100,000 is grossed up to €169,491 and the correct tax charge @ 41% is €69,491, which the administrator is required to pay.

The administrator must, within 3 months of the end of the month in which the BCE giving rise to the chargeable excess occurred, make a return to the Collector-General on Form 787S and pay the tax due by electronic fund transfer (EFT).

The chargeable excess should not be included on forms P30, P35, P45, P60 etc.

The standard assessment, collection, late payment and appeal provisions apply.

Pension Adjustment Orders

25.7

Chapter 22 explains the impact of a Pensions Adjustment Order (PAO) when calculating benefits, etc. **Section 787O(5) TCA 1997** provides that any benefit payable under a PAO is to be included in the calculation of a capital value for BCE purposes as if the PAO had not been made.

Example A

A retired on 1 June 2014 at age 65 with an annual pension, from a DB scheme, of €90,000. The scheme did not provide a separately accrued lump sum entitlement. His accrued pension rights on 1 January 2014 were €88,875.

A PAO provides that the annual pension of €90,000 is to be split on a 60/40 basis between the member spouse or civil partner and the non-member spouse or civil partner. For BCE valuation purposes, the member's pension is valued at €1,806,750 (€1,125 x 26 + €88,875 x 20).

Example B

A PAO provides that benefits arising from a DC scheme are to be split on a 50/50 basis between the member spouse or civil partner and the non-member spouse or civil partner. On the occasion of the BCE, the member's fund is valued at €3,000,000 before benefits are paid under the PAO and this is the amount that is used to determine if a chargeable excess arises. The member spouse/civil partner is liable for the whole of any chargeable excess tax that should arise.

BCE Declaration

25.8

DECLARATION REQUIRED BY SECTION 787R(4) TCA 1997

This Declaration should be completed and given to the Administrator of your pension arrangement prior to the payment of any benefits from that arrangement.

If you have a Personal Fund Threshold Certificate, issued by Revenue, please enclose a copy with your completed Declaration. Where your PFT includes a defined benefit arrangement, please state the valuation factor used.

Information in relation to payment of the State pension from the Department of Social Protection is **not** required.

This Declaration should be completed in respect of benefits arising on or after **7 December 2005.**

****

1. Did you become entitled, on or after 7 December 2005, to any pension, lump sum or any other pension related benefit?

   YES/NO

2. Prior to, or on, the date of receiving benefits from this pension arrangement, do you expect to become entitled to any pension, lump sum or any other pension related benefit from another pension arrangement?

   YES/NO

3. Have you directed, on or after 7 December 2005, or do you intend to direct prior to the date of receiving benefits from this pension arrangement, that a payment or transfer be made to an overseas pension arrangement?

   YES/NO

If you have answered YES to any of the above questions, please provide the following details to the Administrator of your pension arrangement:

- Name of the scheme or arrangement
- Contact details for the Administrator
- Policy or reference number
- Type of pension arrangement
- Date of entitlement to benefits
- Details of benefits provided
- Amount of any transfer or payment to an overseas arrangement and contact details for the receiving pension arrangement
- The amount of any unpaid tax that the administrator of a public sector scheme has to pay under **section 787TA (18) and (19)**
- If a **defined contribution** arrangement, the value of the fund on the date of benefit entitlement
- If a **defined benefit** arrangement the amount of annual pension, the amount of any lump sum, whether the arrangement provides a separately accrued lump sum entitlement and the factors used for calculating the capital value of the pension

- The amount or market value of any assets transferred to you or a QFM by exercise of an "ARF option" or retained in a PRSA at the time of vesting.

I declare that to the best of my knowledge and belief, the information in this Declaration is correct.

Name:

Address:

PPS No.:

Signature:

Date:

Credit for lump sum tax against chargeable excess tax

25.9

Section 787RA TCA 1997, which applies to BCEs occurring on or after 1 January 2011, provides that where tax at the standard rate (i.e. **under section 790AA (3)(a)(i)** or **(3)(b)(i)(I) TCA 1997** – please refer to **Chapter 27**) is deducted from a retirement lump sum paid to an individual under a pension arrangement on or after that date and tax also arises on a chargeable excess in relation to that individual (the amount of which will have been influenced by the retirement lump sum) the pension scheme administrator is required to reduce the tax on the chargeable excess by the amount of standard rate tax deducted from the retirement lump sum under **section 790AA (3)(a)(i)** or **(3)(b)(i)(I)** and pay the net amount of chargeable excess tax, if any, to the Collector-General with Form 787S.

Only tax paid on that part of a retirement lump sum up to 25% of the SFT when the lump sum is paid (i.e. €500k for lump sums paid on or after 1 January 2014 and €575k for lump sums paid between 1 January 2011 and 31 December 2013), and not previously offset against tax on an earlier chargeable excess, can be offset against chargeable excess tax. In this regard, it should be noted that the retirement lump sum tax regime is a cumulative one. Individuals have a lifetime tax-free limit of €200k after which tax applies at the standard rate under Case IV on amounts between the tax-free limit and 25% of the applicable SFT (the SFT cut-off point) and at the individual's marginal rate under Schedule E on amounts above the SFT cut-off point.

Lump sum tax deducted from the portion of a retirement lump sum over the SFT cut-off point (i.e. the portion which is charged to tax under Schedule E

at the individual's marginal rate) may not be offset against chargeable excess tax.

This provision includes the following features:

- lump sum tax includes standard rate tax paid on an earlier retirement lump sum from another pension scheme administered by the same administrator or by another administrator (to the extent in all cases that the lump sum tax has not been previously offset against chargeable excess tax),
- an administrator (A) can only offset earlier lump sum tax paid by another administrator (B) where A receives a certificate, as required in **section 787RA**, from B.
- unused standard rate lump sum tax (i.e. where the amount of the lump sum tax to be offset exceeds the chargeable excess tax) can be carried forward and used against chargeable excess tax arising on future BCEs occurring in relation to the individual.

Limit on Tax-Relieved Pension Funds

25.10

Schedule 23B* TCA 1997** is linked to ***Chapter 2C of ***Part 30*** - relating to the limit on tax relieved pension funds. The Schedule deals with the operational aspects of the arrangements as follows:

- how the value of an individual's uncrystallised pension rights on 1 January 2014 are to be calculated for both defined DC and DB type arrangements,
- the various types of BCE and when they are deemed to occur e.g. entitlement to a pension, annuity, lump sum etc. under a pension arrangement,
- how the capital value of a BCE is to be calculated for the various types of BCE identified, and
- how the amount of the standard fund or personal fund threshold that is available at the time of a BCE is to be determined.

Schedule 23B also includes the following table which sets out the relevant age-related valuation factors.

TABLE

Age	Relevant age-related factor
(1)	(2)
Up to and including 50	37
51	36
52	36
53	35
54	34
55	33
56	33
57	32
58	31
59	30
60	30
61	29
62	28
63	27
64	27
65	26
66	25
67	24
68	24
69	23
70 and over	22