



# Pension Season 2022

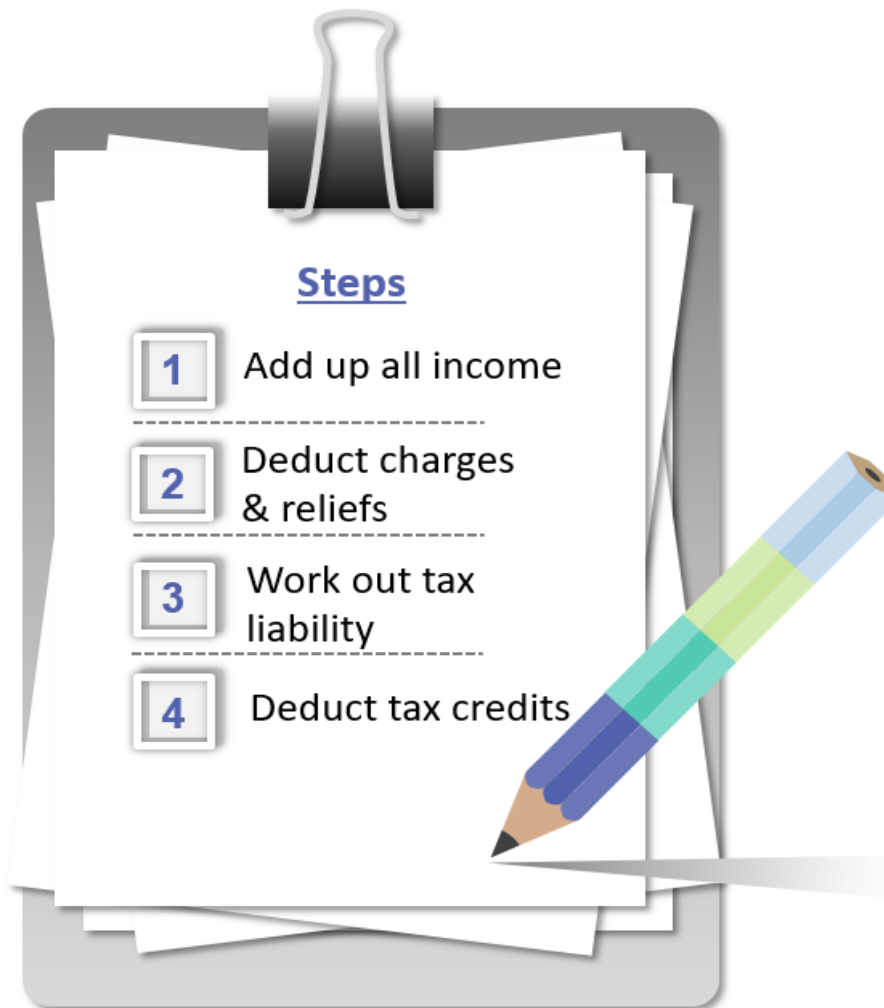
## Income Tax Examples

With & Without Pension Payments



# How to Calculate Income Tax Liability

Standard Rate Bands	
<b>Single / Widowed</b>	
No Children	€36,800
With dependent children	€40,800
<b>Married</b> , one income	€45,800
<b>Married</b> , two incomes	€45,800 + increase
Increase is the lower of €27,800 and the income of lower earning spouse	



Tax Credits	
Single	€1,700
Married	€3,400
Single Person Child Carer	€1,650
PAYE	€1,700
Earned Income (Self Employed)	€1,700 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

# Step 1: Add Up All Income

## Example without Pension Payment

Salary	€50,000
Bonus	€10,000
Benefit-In-Kind (BIK)	<u>€6,000</u>
<b>Gross Income</b>	<b>€66,000</b>

## Example with Pension Payment

Salary	€50,000
Bonus	€10,000
Benefit-In-Kind (BIK)	<u>€6,000</u>
<b>Gross Income</b>	<b>€66,000</b>

# Step 2: Deduct Charges & Relief

Example without Pension Payment

Gross Income	€66,000
No Deductions	<u>€ 0</u>
<b>Net Income</b>	<b>€66,000</b>

Example with Pension Payment

Gross Income	€66,000
Pension Payment	<u>- €22,000</u>
<b>Net Income</b>	<b>€44,000</b>



# Step 3: Work Out Tax Liability

## Example without Pension Payment

Taxable Income is €66,600		
Standard Rate Band (Married)		
€45,800 x 20%	=	€9,160
Balance at Higher Rate		
€20,200 x 40%	=	<u>€8,080</u>
<b>Sum of Standard &amp; Higher</b>		<b>€17,240</b>

## Example with Pension Payment

Taxable Income is €44,000		
Standard Rate Band (Married)		
€44,000 x 20%	=	€8,800
Balance at Higher Rate		
€00 x 40%	=	<u>€ 0</u>
<b>Sum of Standard &amp; Higher</b>		<b>€8,800</b>

# Step 4: Deduct Tax Credits

## Example without Pension Payment

Sum of Standard & Higher Rate	€17,240
Less Married Tax Credit	- €3,400
Less PAYE Tax Credit	<u>- €1,700</u>
<b>Tax Due</b>	<b>€12,140</b>
Gross Income	€66,000
Less Tax Due	<u>- €12,140</u>
<b>Net Income</b>	<b>€53,860</b>

## Example with Pension Payment

Sum of Standard & Higher Rate	€8,800
Less Married Tax Credit	- €3,400
Less PAYE Tax Credit	<u>- €1,700</u>
<b>Tax Due</b>	<b>€3,700</b>
Gross Income	€66,000
Less Tax Due	<u>- €3,700</u>
<b>Net Income</b>	<b>€62,300</b>

# Summary

## Example without Pension Payment

Gross Income	€66,000
Pension Payment	€0
Income Tax Paid	€12,140
Net Income	€53,860

## Example with Pension Payment

Gross Income	€66,000
Pension Payment	€22,000
Income Tax Paid	€3,700
Net Income	€62,300
Net Income after Pension Payment	€43,300

- 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 **€12,140**  
 to **€3,700**  
 which equals a saving of **€8,440**

- The €8,440 savings is the tax relief granted on the pension payment of €22,000
- The pension payment reduced the clients taxable income so part of the relief was granted at 40% and part at 20%
- Marginal rate is  $(€8,440 / €22,000) \times 100 = 38.36\%$

Gross Income	€66,000
Standard Rate Band (married)	€45,800
Net Income	€62,300
Pension Payment	€22,000
• €20,200 over standard rate cut off with relief given at 40%	€8,080
• €1,800 within standard rate cut off with relief given at 20%	+ €360
Total Saving of	<b>€8,440</b>





# Important Information

While individuals 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

**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 2022 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.

# Thank You

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