



## Pension Fund Threshold Electronic notification system deadline.

### Q1. When is the deadline for applying for a Personal Fund Threshold (PFT)?

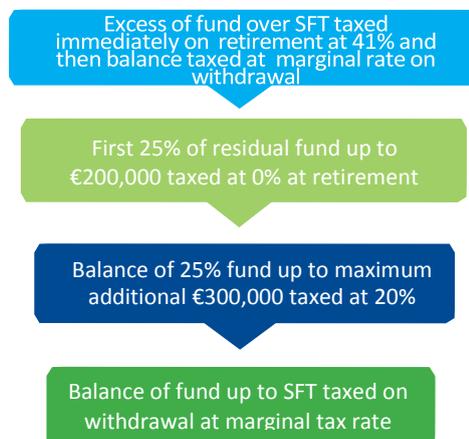
The deadline for applying for a PFT is 2 July 2015. The new electronic notification facility is available through Revenue On-Line Service (ROS) or through P.A.Y.E. anytime. All applications must now be made online.

### Q2. What is the current Standard Fund Threshold (SFT)?

As part of Budget 2014 the SFT - the maximum that can be held in a pension scheme without incurring tax penalty - was reduced from €2,300,000 to €2,000,000 as of January 2014. This remained the same in Budget 2015.

### Q3. What does this reduction mean for pension funds in excess of the new lower SFT?

Pension 'pots' in excess of the SFT at retirement or other crystallisation event, will suffer a tax penalty as illustrated below:



The effective rate of tax on funds in excess of the SFT could rise to approximately 70% i.e., 41% on the total and marginal rate on the balance.

### Q4. What happens if my fund value is larger than €2,000,000?

If your total fund value was in excess of €2,000,000 on 1 January 2014 you must apply for a Personal Fund Threshold (PFT) online by 2 July 2015. Deloitte Pensions & Investments can evaluate your portfolio to see whether you should be making a PFT application. Any calculation must include the following:-

1. Total RAC/PRSA holdings on 1st January 2014
2. Total holdings in any occupational pension scheme as at 1st January 2014
3. Any retained benefit held in a pension scheme or other arrangement with any previous employer.

### Q5. What happens if my fund value was close to but not in excess of €2,000,000 on 1 January 2014?

1. You should be aware that if your fund was close to, but not in excess of €2,000,000 last year, the impact of the recent performance of most asset markets could mean your fund is now in excess of the above amount. The majority of asset markets (equities, bonds, properties) have performed strongly year to date and may have increased the value of your pension this year.
2. You should think carefully about your future pension investment and funding strategy. You will need to weigh up the pros and cons of allowing your fund to grow predominately through investment performance or through further contribution inputs, or some balance of the two.
3. It is key that you are aware of the value of any retained benefits you might have in any previous pension scheme, as it is important that these benefits are included in any application. Failure to do so may result in retained benefits incurring a significant tax liability on retirement.

## Q6. How many people are affected by these changes and potential changes?

This change is of immediate relevance to those with pension funds already in excess of €2m who now need to apply for a PFT online within the next two weeks. However, the principles behind the reduction of pension fund potential as a core element in retirement planning will of course impinge on the retirement wealth accumulation strategies of many individuals, both through approved pension plans and other savings vehicles.

## Q7. What are the considerations for employers?

Employers should be aware of any employees who are currently impacted by the SFT limit, or who are likely to reach the SFT in future. At a strategic level, a consistent approach should be agreed for employees who exceed the SFT, and consideration may be given to alternative means of compensating affected employees, such as share based remuneration or savings plans.

### Action required:

1. Those with funds in excess of €2,000,000 on the 1 January 2014 must make an online application for a PFT on ROS or P.A.Y.E. anytime before July 2 2015.
2. Those with funds that are valued close to the current SFT should review their retirement planning strategy to identify if they should alter their approach in view of the recent reduction to the SFT. If you require any assistance, please contact us.

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