

QUESTIONS & ANSWERS

RELATING TO THE IMPLEMENTATION OF THE PUBLIC SERVICE PENSION-RELATED DEDUCTION

***** Caveat: The answers below are provisional pending publication and enactment of the Bill to underpin the deduction. You will be updated where possible and if and when new information comes available. *****

1. **To whom will it apply?** As a general rule, any public servant who is a member of a public service pension scheme, or in their current employment is or was entitled to be a member of a public service pension scheme, would be subject to the pension deduction.
2. **What pay does the Pension-Related Deduction apply to?** The Pension-Related Deduction is payable on all gross pay, including such payments as overtime, notional pay (BIK), taxable portions of Illness Benefit and Occupational Injuries Benefit (i.e. Disability Payments).

Where a company offers a salary sacrifice scheme, as in the case of a travel pass, this amount should be excluded from the Pension-Related Deduction calculation.

Non-taxable payments are exempt from the Pension-Related Deduction.

3. **Is it tax deductible?** Yes, it will be treated under the Tax Acts as a pension contribution.
4. **Tax limits?** The deductions will not be counted in determining the position of individual taxpayers vis a vis the established limits for pension contribution relief under the Tax Acts.
5. **Will the deductions be applied to earnings prior to 1 March 2009?** Deductions should not be applied to earnings arising in respect of a period prior to 1 March 2009 even if they are paid after 1 March 2009.
6. **What are the rates to be applied?**

<i>Remuneration</i>	<i>Rate of deduction</i>
The first €15,000	3%
The next €5,000	6%
The remainder	10%

For any full calendar year, in order to spread the pension levy liability over that full year, the payroll system will, for each payrun, calculate a portion of salary @ 3%, the next portion @ 6% and the balance @10%. The alternative “cumulative” approach will not apply since it would mean that individuals would be liable for 10% on the full salary from a period in the middle of the year which, depending on the person’s salary/overtime earnings, could be any time from March onwards in a full “deduction year”.

The following tables show the Rate Thresholds:

Rate Thresholds for 2009

Salary band	Weekly Band	Monthly Band	Rate
Up to €15,000	Up to €340.91	Up to €1,500	3%
€15,000.01 - €20,000	> €340.91 - €454.55	> €1,500 - €2,000.00	6%
€20,000.01 and above	> €454.55	> €2,000.00	10%

Rate Thresholds for 2010

Salary band	Weekly Band	Monthly Band	Rate
Up to €15,000	Up to €288.46	Up to €1,250	3%
€15,000.01 - €20,000	> €288.46 - €384.62	> €1,250 - €1,666.67	6%
€20,000.01 and above	> €384.62	> €1,666.67	10%

The pension deduction will be calculated on what is commonly known from a Revenue perspective as a “**Week 1**” basis. What this means is that in any given pay period, the employee’s liability will be determined by reference to the appropriate salary band and periodicity of payment (weekly, fortnightly, monthly) from the table above.

The **ready reckoner** for civil servants is at www.finance.gov.ie.

There is also an internet link to the ready reckoner at www.publicservicepensions.ie.

7. **Will pension benefits arise from the deduction?** No, there will be no change in the pension benefits of persons to whom the deductions will apply.
8. **Can deductions be deposited in a pension fund on behalf of the employee?** No. See below as regards what happens to deductions.
9. **What happens to the deductions?** Pension-related deductions should be made from the remuneration of relevant staff, as appropriate, and accounted for as a new Appropriation-in-Aid on each Vote. A single, specific Appropriation-in-Aid subhead can cover all such A-in-As, although the preference would be for A-in-As from civil servants and from other public servants to be shown as separate line items within the subhead.
10. **Will there be refunds for someone who leaves their employment within 2 years?** No refunds payable.
11. **I am in possession of a full medical card, am I exempt from the Pension-Related Deduction?** While full medical card holders are exempt from the Income Levy, they are not exempt from the Pension-Related Deduction.
12. **To whom do I go if I have queries about the Pension-Related Deduction and whether or not it applies to me?** Queries in relation to an individual’s liability for the Pension-Related Deduction and any other questions in this regard should be addressed to the employer. The employer should liaise with the parent Department if there are any matters requiring clarification in respect of the deduction.
13. **Is anybody employed by a public service body exempt?** The legislation does not exempt individuals or groups (save for the Judiciary and the President due to provisions in the Constitution), and a public servant would be prima facie subject to the deduction. A public servant who is not a member of a public service pension scheme, as defined in the legislation, or entitled to a benefit under a scheme or in receipt of a payment in lieu of membership of such a scheme

would not be subject to the deduction. It is not anticipated that there will be many public servants falling into this category and the parent Department should be consulted if there is a doubt.

14. **I am on a short term contract of service working for a public service body, am I included?**
The length of a contract is not relevant as to whether or not a deduction is to be made. In general most contract staff in the public service are now eligible for pension scheme membership. In addition, a person who is on a contract and, for example, is in receipt of a payment in lieu of membership of a pension scheme, would be liable for the deduction from 1 March or commencement of the employment if later. In terms of assessing whether there is a payment in lieu of membership of a scheme etc, this would have to be examined by whoever approved the contract terms.
15. **I am a public service pensioner who works part-time in the public service. Is all of my income (pay and pension) subject to the deduction?** No. Where a pensioner returns to work in the public service, remuneration in respect of that work is subject to the deduction but his or her pension is not.
16. **Will persons on secondment and in receipt of a non pensionable top-up salary be liable for the deduction on the top-up? If so how will the second employer calculate the correct levy?** The deduction is to be calculated by reference to remuneration. Remuneration is defined at section 1 of the Act as emoluments to which Chapter 4 of Part 42 of the Taxes Consolidation Act 1997 applies or is applied and payable by or on behalf of a public service body to a public servant for his or her services as a public servant. Therefore basic salary plus the top up salary will be liable for the deduction. Where there are two or more employers, they should make contact with each other, as they would in the normal run of events to ensure the person being paid is receiving the correct tax credits and so forth. As such, one would expect the 'top-up' employment to apply the 10% rate to the 'top-up' salary.
17. **Does the deduction affect the overall threshold levels for tax relief on pension contributions?** No. The deduction does not count towards a person's limit to receive tax relief on pension contributions. So, for example, a person aged between 40 and 49 can contribute up to 25% of their gross income towards pension and receive tax relief on those contributions. The deduction will not count towards that 25%.

This publication is intended only as a general guide and should not be used as a substitute for professional advice.

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