Corporate Business

Advise Government Pension Levy

June 2011

Government Pension Levy

The Finance Act (No. 2) was signed into law on the 22nd June 2011. This Act imposes an annual levy of 0.60% on the value of company Defined Contribution and Defined Benefit pension schemes, Personal Retirement Bonds (PRBs), Personal Retirement Savings Accounts (PRSAs) and personal pensions. This levy is to be in place for four years and is scheduled to cease after the 30th June 2014.

For all pension plans held under policies with Irish Life Corporate Business (ILCB) we will be responsible for the calculation, deduction and payment of the levy to the Revenue. There is no need for trustees or employers of any ILCB policy to request this payment as we will automatically arrange for this to be done. It is important to note that for scheme assets held outside of insured arrangements, responsibility for the calculation and deduction of the levy rests with the scheme administrators.

How will this work?

The Finance Act states that 0.60% should be taken from the pension funds based on a valuation date of the 30th June 2011 and annually thereafter. We expect this adjustment to be processed in early July. ILCB will arrange for the corresponding adjustment to pension values to be implemented using this date. This transaction will be shown as a Government Pension Levy on all appropriate correspondence. Where a member holds more than one fund the levy will be deducted across all client funds on a pro-rata basis.

Please note, for the purposes of the pensions levy, the ILA Property Fund is not considered as illiquid and deduction of the levy will be applied as outlined above.

There are some exceptions to the pension levy which include:

- Any Approved Retirement Fund (ARF) or Approved Minimum Retirement Fund (AMRF)
- An annuity purchased from a Life Office in the name of a member. Where an annuity is purchased from a Life Office in the trustee's name the value for the purposes of the levy calculation will be zero.
- Any PRSA policy holder who has taken their tax-free lump sum benefit and who has left the remainder of their fund as paid up
- Any pension fund relating to an individual who has died
- The Act also exempts schemes where the trustees have signed a winding up resolution and the employer is insolvent. We are not in a position to determine if schemes meet these criteria and therefore we are required to pay the levy. In view of this, Revenue will allow schemes which satisfy these criteria to apply for a full refund after it has been paid.

If you have any queries on any of this content, please contact your usual Corporate Business Account manager or your financial consultant.

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