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Extended Revenue Deadline and opportunities for backdating Tax Relief

We are fast approaching the Revenue "Pay and File" tax deadline. For those wishing to make a Pension Contribution to help reduce their tax liability in 2019, they must make the Pension Contribution to the Life Office AND elect for tax relief to be backdated to 2019 before 31 October 2020.

For those customers who are registered to use the Revenue On-line Service (ROS), the extended deadline for on-line tax returns is Thursday, 10 December 2020. This extension was announced by Revenue on Thursday 17, September 2020 in recognition of the challenges being experienced by businesses and tax practitioners arising from the COVID-19 crisis.

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Where a ROS customer qualifies for the extended Pay and File deadline, Revenue have confirmed that the deadline for making RAC, PRSA or AVC payments and claiming tax relief is also extended to Thursday, 10 December 2020.

- This includes customers registered on ROS who make contributions to RACs, PRSAs and AVCs where tax relief can be claimed in respect of the previous tax year.
- The extended deadline for making RAC, PRSA or AVC payments also applies to PAYE customers provided the claim is made on-line (on the on-line Form 12) and any liabilities arising are paid on-line (through the "Payments" option in myAccount on Revenue website).
- High-income earners who are required under section 485FB(3) of the Taxes Consolidation Act 1997 to submit a Form RR1, and who both Pay and File through ROS, may also avail of the extension to Thursday 10 December 2020.

Tax Relief Limits

The following table sets out the maximum allowable tax relief limits for pension contributions based on increasing age bands:

Age Attained*	% of Net Relevant Earnings**
Up to age 29	15%
30 – 39	20%
40 – 49	25%
50 – 54	30%
55 – 59	35%
60 years of age and over	40%

Notes:

* Age is Age Attained on the last day of the relevant tax year

** Net Relevant Earnings (NRE) are capped at €115,000 for the purpose of calculating allowable contribution amounts in the 2019 and 2020 tax years.

Potential issues with back dating tax relief

The "Pay and File" deadline is not the only date(s) that needs to be considered for some individuals. There are a number of situations where clients may have additional restrictions if they are paying pension contributions and/or backdating tax relief to a previous tax year.

For example if their employment circumstances/status has changed (or is about to change) – such as a new job, joining a scheme or retirement - this change may restrict their ability to contribute to a pension and have the tax relief backdated.

In most cases it would be strongly advisable to make contributions before employment status changes, as it may be too late if this is done after the event.

Tax Relief and Product Options

The client's eligibility for a particular product type can be established based on the individual's current status of having either "pensionable earnings" or "non-pensionable" / "relevant" earnings.

- If a client is a member of an occupational pension scheme they are deemed to be in "pensionable employment" and may only make additional contributions through a PRSA AVC or AVC to offset tax against their pensionable earnings.
- If client is in self employed or in non-pensionable employment they may only make additional contributions through a personal pension or PRSA to offset tax against their "relevant" or "non-pensionable" earnings.
- Care also needs to be taken for Clients with Dual Incomes as there are Revenue rules regarding the income priority requirements for tax relief eligibility – e.g Doctors who have GMS Income and also Private Practice.

Issues can sometimes arise where the client's circumstances have changed. For example, if a client was a member of an occupational pension scheme in 2019 (i.e. was in pensionable employment in 2019) but has since left the employment then an AVC cannot be backdated to 2019.

It follows that if the client was in an occupational pension scheme in 2019 and continued to be so in 2020, a contribution to a PRSA AVC/AVC may be made and tax relief backdated to 2019.

If a client was self employed or in non-pensionable employment in 2019 and also in 2020, then a contribution to a PRSA/RAC may be made and tax relief backdated to 2019.

One final anomaly that exists is that if the client was self employed or in non-pensionable employment in 2019 and had a Personal pension already in place at that time then even if they are no longer self employed or in the same non-pensionable employment in 2020, they could still make a contribution against 2019's earnings and obtain tax relief. The key is that the Personal Pension was previously established in 2019 when they were eligible for that contract.

Caution required

There are many different reasons why individuals may need to change employment and therefore their pension status. Furthermore this does not just affect change of status in two different years – the same can apply for changes within the same tax year – so proceed with caution!

In some cases it may be a decision made by the client, but there are also situations where it may be out of the client's control and they need to act fast to ensure that they get the contributions into the applicable pension product on time.

Important Note

Please note that this Techtalk does not constitute tax advice. If they have not done so already, we would suggest that clients consider getting their own professional tax advice based on their own individual circumstances.

Need Further Information?

If you have further questions on any aspect of this briefing, please contact the **TechTalk Team** on **01 209 2020** or **techsupport@zurich.com**

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The information contained herein is based on Zurich Life's understanding of current Revenue practice as at October 2020 and may change in the future.

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