

# Finance Act 2021 – The end of the road for AMRFs

The Finance Bill 2021 was signed into law on 21 December 2021. It included several significant pension changes based on some of the recommendations detailed in the report produced by the Inter-Departmental Pensions Reform & Taxation Group (IDPRTG).

## Changes to Approved Minimum Retirement Funds (AMRFs)

This article focusses on the significant changes relating to Approved Minimum Retirement Funds (AMRFs) as set out in the Finance Act 2021 - and the impact on your clients who have existing AMRFs with Zurich Life.

The changes can be summarised as follows:-

1. The AMRF requirement no longer applies at Retirement/Maturity to individuals wishing to avail of the Approved Retirement Fund (ARF) option from Occupational Pension Schemes, Personal Retirement Bonds, Personal Pensions (PP)/ Retirement Annuity Contracts (RAC's) and Personal Retirement Savings Accounts (PRSA's).
2. On 1 January 2022 all existing AMRFs became ARFs - and the legislative rules applying to ARFs now apply to these former AMRFs.
3. The legislative rules applying to AMRFs and conditions relating to AMRFs were repealed with effect from 1 January 2022 – and Qualifying Fund Managers cannot accept any assets into an AMRF after 1 January 2022.
4. The above changes to AMRFs also apply to Vested-PRSA AMRFs (a Vested-PRSA is a PRSA where the Retirement Lump Sum has been paid out and the residual fund remains in the PRSA rather than transferred to an AMRF). A Vested-PRSA AMRF related to the requirement to ring-fence up to €63,500 in the Vested-PRSA.

## Impact of the AMRF Changes

In general, we welcome these changes – things have moved on a lot since the introduction of the AMRF in 1999 - and the associated restrictions were regarded by many as no longer fit for purpose.

The changes will impact many clients who held AMRF policies – for example those who, until now, did not satisfy the guaranteed income requirement (€12,700) and/or those who due to their age (under 66) meant that they were not yet in receipt of state pensions.

It will also impact, in some cases, those who had reached state pension age but did not receive the maximum rate of state pension and meet the threshold of €12,700 – for example, due to gaps in their Pay Related Social Insurance (PRSI) record.

In the details below, we examine the impact on former AMRF policies which are now ARFs - and also the impact on retirement options for clients who are due to retire in the future.



## Existing AMRF Policies

As a result of the changes in the Finance Act, all existing AMRF policies with Zurich Life will now be reclassified as ARF policies and administered as ARFs.

We have highlighted some points to consider below:

### Withdrawals from ARFs

As the former AMRFs are now regarded as ARFs, this gives the clients the same flexibility associated with ARFs, for example:

- Regular withdrawals of between 4% - 10% per annum
- Partial encashments of greater amounts
- Full encashment

This is the case regardless of the age of the policyowner.

Prior to 1 January 2022, the maximum withdrawal that was allowed from an AMRF was 4% per annum. Many clients may therefore be tempted to take large withdrawals or fully encash those former AMRF policies. This may be necessary in circumstances of financial hardship or ill-health, but clients should be aware that large withdrawals or full encashments may incur early surrender penalties and are likely to be taxed at their marginal rate of income tax, Universal Social Charge (USC) & PRSI (where applicable).

In any given year where a full encashment is made, this could result in a higher taxation on those funds when compared with taxation applicable where the funds withdrawn on a gradual/phased basis over a number of years.

### Regular Withdrawals and Imputed Distribution Regime

As the former AMRFs are now ARFs, this also means that from 2022 onwards they are now subject to the Imputed Distribution regime (previously the Imputed Distribution regime did not apply to AMRFs and Vested-PRSA AMRFs.)

For any ARF owners who are 60 years of age or over for the whole of 2022 (i.e. who have their 61st birthday in 2022, or who are already over age 61), this means that an Imputed Distribution will now apply to those former AMRF funds as they are now regarded as ARFs.

#### \*Note on Imputed Distribution Rates

Where the ARF owner is 60 years of age or over for the whole of that year and where the relevant value is:

##### (i) Not greater than €2m

**Rate = 4%** or

**Rate = 5%** where the individual is aged 70 years or over for the whole of the relevant tax year.

##### (ii) Greater than €2m, the Rate = 6%

### Retirement Options

The requirement to purchase an AMRF for those without a guaranteed income of €12,700 has now been removed. Therefore, any clients choosing the "ARF Option" for their residual fund can now direct all of the residual fund (after the Retirement Lump Sum is paid) to an ARF - or to a number of separate ARF policies - or to a combination of ARF and/or Annuity.

They may also take the residual fund as a once-off taxable cash payment. It is important to note that once-off taxable cash payments under this route are taxable at the clients marginal rate of Income Tax, USC & PRSI (if applicable) and therefore may result in higher taxation if income is drawn down in one year rather than over a number of years via a regular withdrawal from an ARF.

### Independent Financial Advice

The changes from AMRF to ARF bring with it a number of new options and possibilities for clients. But, by definition, the age profile of these clients is likely to be older clients - and may need greater guidance and advice in helping to explain the options to them.

### 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.

If you wish to discuss the impact of the changes in the Finance Act 2021, please feel free to contact our: **Technical Services Team**  
**Tel: (01) 209 2020, or Email: techsupport@zurich.com**

If you wish to discuss the impact AMRF policyowners who turn 61 this year, please contact our: **Pension Payroll Team**  
**Tel: (01) 617 4646**  
**Email: iezpensionclaimspayroll@zurich.com**

### Zurich Life Assurance plc

Zurich House, Frascati Road, Blackrock, Co. Dublin, Ireland.  
Telephone: 01 283 1301 Fax: 01 283 1578 Website: [www.zurich.ie](http://www.zurich.ie)  
Zurich Life Assurance plc is regulated by the Central Bank of Ireland.

The information contained herein is based on Zurich Life's understanding of current Revenue practice as at January 2022 and may change in the future.

Intended for distribution within the Republic of Ireland.

GR: 6600 Print Ref: ZL LSA 6406 0122

