



# What Brokers Need to Know



## Changes to the Revenue Approval process for one-member Executive Pension Plans.

The Revenue Commissioners have written to all Life Offices to advise them of a number of changes to the Revenue Approval process for one-member Executive Pension Plans. These changes are being introduced for a six-month trial period with effect from 1 January 2015, when they will be reviewed.

### Currently, there are three forms of Revenue Approval

There are still three main forms of Revenue Approval for one-member Executive Pension Schemes which can be summarised as follows:

#### (i) Automatic Approval – Retirement Benefits Product (RBP)

This automatic approval is based on age-related contribution bands and the Earnings Cap (similar to the PRSA Contribution Limits). Retained Benefits information is limited to the total of all Existing Contributions (Annual Premium and Single Premium) for each member and these contributions need to be checked to ensure that they are within the overall contribution limits.

#### (ii) Uniform Accrual – Strict n/60ths Basis

The funding quote is prepared on a strict n/60ths basis using 1/60<sup>th</sup> of salary for each potential year of Total Service with the Employer (i.e. not Uplifted Scale). As a result, only details of Retained Benefits with the current employer are required for funding quotes on this basis (and not details of any previous Retained Benefits). The case will be submitted to Revenue and subsequently approved on a strict n/60ths basis.

#### (iii) Uplifted Scale – Accelerated Accrual for Short Service Employees

A Funding Quote is prepared using the uplifted scale. Full details of all Retained Benefits (current and previous) are required when using the uplifted scale. This basis is used where the client wishes to maximise his funding and Revenue maximum approvable benefit limits. The case will be submitted to Revenue and subsequently approved on a "Full" uplifted basis.

### Key changes from 1 January 2015

1. A P60 or Payslip must be submitted with all new one-member Executive Pension Plans.
2. If any information required for Revenue Approval is still outstanding after six months, the plan will be cancelled and premiums refunded.
3. There is no requirement to submit details of **previous Retained Benefits** where a funding test has been carried out on the strict n/60th (uniform accrual) basis. This should be indicated on the form by inserting the words "strict 60ths" into the "Special Instructions" section of the Application Form. Details of the **Retained Benefits relating to the current employment will still be required**

Let's have a quick look at these changes in more detail:

#### Key Change - Number 1

##### Why does Revenue require a P60 or Payslip to be collected?

Revenue found that a number of one-member Executive Pension Schemes are submitted for Revenue Approval and the proposed member is not registered as an employee and is not receiving any income from the employer.

A pre-requisite to establishing an Executive Pension Scheme is that the member must be in receipt of remuneration from that employer.

The new requirement from Revenue is designed to confirm that the proposed member is in receipt of Schedule E (PAYE) income from the employer and to validate the salary shown on the Application Form.

### **Scope**

The requirement for a P60 or Payslip applies to all one-member Executive Pension Scheme Application Forms, **and is needed for ALL three forms of Revenue Approval shown above.**

Furthermore, **all types of Executive Pension Plans** are subject to this requirement, Annual Premium and Single Premium, including Fusion policies (Zurich Trustee Services Ltd) and Executive Term Cover.

### **Action Point**

As mentioned this new Revenue Requirement applies from 1 January 2015. In anticipation of this new requirement, we suggest that a P60 or Payslip should be submitted to Zurich Life with each new Executive Pension application.

The P60 or Payslip should be printed from the employer's payroll system. An accountant's letter or a handwritten P60 will not be acceptable. Revenue require Zurich to retain the P60 or Payslip for possible inspection or audit by Revenue.

### **Key Change – Number 2**

#### **Cancellation of one-member Executive Pension Plans due to outstanding information**

For approval using Basis (ii) or Basis (iii), Zurich will seek immediate Revenue Approval for all new Executives Pension Schemes [the exception being cases which satisfy the required criteria and are capable of automatic approval using the Retirement Benefit Product in Basis (i)]. Assuming all is in order then Revenue Approval will normally be granted.

Depending on whether Revenue Approval is being sought on Basis (i), (ii) or (iii) it is important that relevant Retained Benefit information is included on the Application Form. Revenue holds comprehensive information on all pension arrangements and any discrepancies will be questioned by them.

The information required for Revenue Approval purposes is normally completed as part of our Application Form. However, in a limited number of cases some additional details will be required by Zurich or Revenue during the approval process. Where this happens, Revenue will permit a period of six months (from the date that Zurich starts receiving contributions) for the submission of all outstanding information needed for Revenue Approval.

If the outstanding information is not sent to Revenue within this timeframe, then Zurich must refund the contributions to the employer stating the reason. Zurich is also required to notify Revenue of the cancellation of the plan.

Employer contributions refunded will be a taxable trading receipt for the employer. Employee contributions and AVCs paid to the employer will have to be refunded by the employer to the member through PAYE.

### **Key Change – Number 3**

#### **Revenue Approval Basis (ii) - Uniform Accrual – Strict n/60ths**

In relation to Revenue Approval using Basis (ii) - Uniform Accrual – Strict n/60ths, Revenue has agreed to use this facility with a view to improving and speeding-up the Revenue Approval process for one-member Executive Pension Plans.

In certain situations it will be possible to calculate the funding check using the "strict n/60ths" offered by Basis (ii). This should cover the vast majority of cases, with only a small number of maximum funding cases needing to go for approval on Basis (iii) – Uplifted Scale with full disclosure of previous Retained Benefits.

Using Basis (ii) there is no requirement to submit details of previous Retained Benefits where a funding test has been carried out on the n/60th basis (but details of other benefits in relation to the same employment are still required). The decision to use Basis (ii) should be indicated on the form by inserting the words "strict 60ths" into the "Special Instructions" section on the Application Form. Zurich will retain all supporting documentation as a number of cases will be selected by Revenue for a verification check.

### **Group Pensions**

There are no changes to the group pensions Revenue approval process.

## Six-Month Trial Period

The above changes are being introduced by Revenue for a six-month trial period for one-member Executive Pension Plans at which stage it will be reviewed.

## Further Information

If you have a query on any of the above points, please feel free to contact our **Technical Services Team** or your Zurich Life Broker Consultant.

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The tax and legislative information contained herein is based on Zurich Life's understanding of current Revenue practice as at December 2014 and may change in the future.



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