iPensions Group SIPPs

Scheme Comparison

For individuals residing or employed within the UK, Irish Revenue Commissions approval of the transfer is not required. For individuals residing outside the UK wishing to transfer an Irish Personal Retirement Bond, the transfer is subject to the Bond Provider's authorisation. It is important to note a transfer of Irish pension benefits overseas can only be made for bona fide purposes and not for the purpose of circumventing Irish pension tax rules and/or Irish Revenue pension rules.

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Features of an Irish Occupational Pension Scheme & Personal Retirement Bond/Buy Out Bond (BOB)	Features of iPensions Group SIPPs
Investments Options	
Typically, fixed choice of investments, preselected by the Employer/ Trustee or based on Product provider offering. Typically, Euro Investments.	**Adviser SIPP:** Open Architecture. **Platform SIPP:** Choice from over 2,500 investment options available including Funds, Investment Trusts, ETFs, Structured Products & Deposit Accounts.
Tax on Investment Income and Gains	
Generally, no Irish tax is payable on investment returns held within an Irish Revenue approved Scheme.	Investments within a SIPP grow free of capital gains tax, and there is no tax on investment income generated from investments.
Retirement Age	
Normal Retirement[1]: Between ages 60-70. Subject to Scheme Rules. **Early retirement:** Age 50. **Revenue Restriction:** 20% Directors[2] who elect to take benefits on early retirement, are generally required to sever all links with the business, including the disposal of shares in the company, unless detrimental[3] to the interests of the business. Non-resident individuals may wish to confirm the position with the Irish Scheme.	**Normal Retirement Age:** From age 55 onwards. No requirement to enter drawdown or take an income.
Benefit Currency Options	
Typically benefit payments are in Euro.	Ability to receive income payment in major currencies of choice to suit individual needs.
Initial Lump Sum Payment	
Defined Contribution (DC) Scheme: Up to 25% of the Fund[4]. **Defined Benefit (DB) Scheme:** Lump Sum based on Scheme Rules. **Lifetime Tax free lump sum limit:** €200,000 - Irish Income tax is payable on any lump above this amount.	25% of the Individual's pension fund can be taken tax free, up to their individual lifetime allowance.
Retirement Income drawdown options	
DC Scheme: Income benefits cannot be withdrawn directly from the Irish Scheme. Pension Funds must be transferred to an ARF[5] on retirement. However, Irish providers may be unable to establish an ARF for non-Irish Residents. This may create issues for non-residents when trying to access their retirement benefits. Where an ARF cannot be accessed, individuals will be required to either (i) purchase an annuity and/or (ii) take all pension benefits as an Taxable Lump Sum. **DB Scheme:** Pension Annuity Only. No ARF Option on main scheme benefits.	Benefits can be accessed directly from the SIPP. *Flexibility on drawing incomes:* • Flexi Access Drawdown – individual can drawdown benefits as required to suit individual needs. • No requirement to purchase annuity.

[1]For certain occupations, Irish Revenue permit retirement benefits to be taken earlier from age 50 or 55.

[2]20% director means an individual who directly or indirectly (via spouse/minor children for example) at any time in the last three years owned or controlled more than 20% of the voting rights in the sponsoring employer company, or in the parent company of the employer company.

[3]Formal submission to Revenue required.

[4]Alternatively, a lump sum based on years of employment service is available, but balance of fund (excluding voluntary contribution made by the Individual) must then be used to buy an annuity.

[5]Approved Retirement Fund - refer to Glossary below

Tax Treatment of Income Payment in Scheme Jurisdiction

ARF Income Payments:

- Income withdrawn from an ARF is assessable to Irish Income Tax, Universal Social Charge, which is deducted at source[6].
- Income payments are generally assessable to tax in the Individuals country of tax residency also.

DTA Relief ARF/Tax Lump Sum Payments:

- Standard Pension Income DTA Relief is NOT available on income withdrawals from an ARF. The Irish Revenue generally do not classify this Income as Pension Income for DTA purposes.
- Therefore, Individuals may be subjected to Double taxation, with only limited tax relief available. Detailed Tax Advice on this aspect is essential.

DB Scheme/Pension Annuity[7]:

- Pension paid by a Scheme or Life Company is assessable to Irish Income Tax and Universal Social Charge.
- When an effective DTA is in place: Income may be paid Gross once a PAYE Exclusion order[8] has been obtained from the Irish Revenue.
- Otherwise, assessable to Irish Income Tax at source. Detailed tax advice on the respective DTA should be sought.

SIPP Income Payments:

- Income payment from a SIPP is classified as UK earned Income.
- Income payments are generally also assessable to tax in the Individuals country of tax residency.

DTA Relief on Income Payments:

- There are a wide range of UK Double Taxation Agreements (DTAs) in place.
- Where a DTA is in place with the jurisdiction the individual is resident, at the point of income payment, the individual can apply to HMRC for No Tax (NT) Tax Code.
- Where provided by HMRC this enables income from the SIPP to be paid gross. Otherwise, the income may be subject to UK Income Tax at source.

Lifetime Limit on Pension Funds

The current Standard Fund Threshold in Ireland is €2 million[9].

Drawdown of Benefits or Transfer Overseas is a Benefit Crystallisation Event trigger and if the €2 Million Threshold is exceeded, a tax charge of 40% will arise on the excess.

Provision for a Personal Fund Threshold in place, which operate similarly to UK LTA Protection.

Transfer from Irish ROPS:

- Individual can apply for an LTA Enhancement Factor from HMRC to mitigate any UK LTA Tax Charge. Investment growth on these funds within SIPP are subject to LTA test.

Irish Scheme Not an Irish ROPS:

- HMRC guidance on LTA implications should be sought, if the Individual is likely to trigger LTA Tax Charge.

Death Benefit and Local Inheritance Tax Treatment

Pre-Retirement: DC Scheme: Benefits can typically be paid to beneficiaries as a lump sum or annuity.

- Spousal/Registered Civil Partners Inheritance: Exempt from Irish Capital Acquisitions Tax (“CAT” - Irish Inheritance tax - See Glossary).
- Other Beneficiaries: Lump Sums payments generally assessable to Irish CAT.
- Property/Assets located in Ireland are generally assessable to Irish CAT, irrespective of residency of deceased or beneficiaries. Irish CAT also applies where beneficiary or deceased is Irish Resident or Ordinarily resident at the date of disposition.

Post Retirement: Inheritance from ARF is more complicated and tax advice is essential.

- CAT Spousal Exemption applies but Irish Income Tax will apply.
- Inheritance by Children> 21: 30% Irish tax. No DTA relief. No CAT.
- Inheritance by Children < 21: Irish CAT - as above.
- Others: Potentially Irish CAT and Irish Income Tax at the deceased rate of Irish income tax.
- Detailed Irish CAT Advice on Irish Pensions should be sought.
- Inheritance tax or other taxes may also be payable in the jurisdiction of the deceased or beneficiaries. Detailed Tax Advice should be sought, as necessary.

Pre or Post Retirement:

- On the death of the individual, the remaining SIPP funds may be paid as a lump sum to the survivor, taken as Income, or used to purchase an Annuity.
- If the deceased is under age 75: Payments to your survivors will be free of UK income tax whether taken as a lump sum or income. Any uncrystallised funds are tested against the deceased’s lifetime allowance.
- If the Deceased is aged 75 or older: Income payments will be subject to UK income tax and will be taxed at the survivor’s marginal rate of tax. No UK income tax applies on lump sum payments.
- Inheritance tax or other taxes may also be payable in the jurisdiction of the deceased or beneficiaries. Detailed tax advice should be sought, as necessary.

[6]Irish Income tax exemption applies if total Irish income in tax year is less than €18,000/€36,000 (single/married couple jointly assessed), where individual or spouse are age 65 or over.

[7]Excludes Public Sector /Statutory Pension Schemes.

[8]Revenue authorisation for No Irish Tax to be deducted at source.

[9]Operates in a similar fashion to UK Lifetime Allowance.

Glossary

Approved Retirement Fund
An Approved Retirement Fund (ARF) is a post-retirement investment plan, used by an individual to transfer the balance of their pension fund to this product. The individual then withdraws retirement income from this ARF as needed, rather than buying a pension annuity.

Income when taken from an ARF is Irish source income and is assessable to Irish income tax, Universal Social Charge and potentially Pay Related Social Insurance.

Capital Acquisitions Tax (CAT)
CAT is Irish gift and Inheritance tax. This tax is assessable when an Individual received inheritances/gifts in their lifetime[10] which exceed certain Group Threshold levels. The current CAT rate is 33%. The Group Threshold level vary depending on the relationship between the beneficiary and the deceased (e.g. child and parent). Further details can be seen here.

Inheritance Tax Agreements are in place between Ireland and the UK and USA. Detailed Advice should be taken.

Pay Related Social Insurance (PRSI)
Most individuals with Irish income, pay PRSI into the national Social Insurance Fund. In general, 4% PRSI is payable until age 66. It is not payable on pension annuity payments.

Standard Fund Threshold
The Standard Fund Threshold (SFT) is the maximum Irish pension fund an individual is allowed at retirement for tax purposes. This is a lifetime limit and includes all pension benefits taken since 7 December 2005. The SFT is currently €2 million.

At the point of taking retirement benefits and/or transferring benefits overseas, any amount over the Individuals available SFT is subject to tax at the higher rate of income tax, currently 40%. This tax will be taken before benefits are paid to individual /transferred overseas.

The Universal Social Charge (USC)
The Universal Social Charge is an Irish tax charge introduced in 2011 and is payable in addition to Irish Income Tax. USC is payable where an individual's total annual income exceeds €13,000[11]. USC is deducted by the Pension Scheme or ARF Provider, directly from the income prior to payment to the individual.

Details on current USC rates can be seen here.

Important Information

In accordance with our SIPP Terms of Business for Financial Advisers and Individuals, iPensions Group Limited ("iPensions") does not give legal, financial or taxation advice.

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The above may also be influenced by any further regulatory restrictions imposed by the jurisdiction where the pension funds are being transferred from, the benefits remitted to or where the Individual or Beneficiaries are resident or domiciled.

Capital is at risk. Past performance is not a reliable indicator of future performance, and the value of investments can go down as well as up and clients may get back less than originally invested.

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[10] *On or after 5th December 2001.*

[11] *Current exemption level in the calendar year 2022.*