

FORM 790AA

Return under Section 790AA TCA 1997 (Income Tax deducted from excess lump sum in accordance with section 790AA (3)(a)(i) or (3)(b)(i)(I) TCA 1997



Return Address

Office of the Revenue Commissioners,
Collector-General's Division,
PO Box 354,
Limerick.

Use any envelope and
write "Freepost" above
the address

Please refer to the Notes and Examples overleaf before completing this form

COMPLETE IN BLOCK LETTERS

PART A

Name of individual:

PPS Number:

Address:

PART B

(1) Type of pension arrangement, e.g. Defined Benefit or Defined Contribution occupational pension scheme (if a Defined Benefit scheme, indicate whether private or public sector scheme), PRSA, Retirement Annuity Contract, etc:

(2) Name of scheme:

(3) Name & address of administrator:

(4) Member or scheme reference number:

PART C

(1) Amount of lump sum: , , .

(2) Date of payment: (DD/MM/YYYY) / /

(3) Amount of excess lump sum (attach computation): , , .

(4) Amount of excess lump sum to which this return relates (see Notes): , , .

(5) Tax due on amount at (4): , , .

Payment of the tax due at (5) must be made by Electronic Fund Transfer (EFT) - see Notes

YOU MUST SIGN THIS DECLARATION

I DECLARE that, to the best of my knowledge and belief, all the particulars given on this form are correctly stated.

Signature Date / / (DD/MM/YYYY)

Capacity of signatory Telephone

NOTES

Section 790AA Taxes Consolidation Act 1997 (TCA 1997) provides for the taxation of retirement lump sums paid above a tax-free amount under various pension arrangements.

As and from 1 January 2011, the maximum lifetime tax-free limit on retirement lump sums is €200,000. Where a lump sum (or lump sums) is paid to an individual on or after that date the amount in excess of this tax-free limit (the “excess lump sum”) is subject to tax in two stages.

- The first portion of the excess lump sum (i.e. the portion between €200,000 and €575,000*) is chargeable to tax under Case IV of Schedule D in accordance with section 790AA (3)(a) (i) or (3)(b)(i)(I) TCA 1997 at the standard rate of income tax in force when the lump sum is paid, currently 20%. As this portion is effectively “ring-fenced”, no reliefs, allowances or deductions may be set or made against it when computing the amount of tax to be deducted.

- **That part of a retirement lump sum taxed under Case IV should be included on this form.**

(This is the amount that should be entered in Part C (4) of the Form)

- **Note, however, that it should not be included on forms P30, P35, P60 etc.**

- The second portion, if any, of the excess lump sum (i.e. the portion over €575,000) is regarded as profits or gains arising from an office or employment and is charged to tax under the Schedule E basis of assessment at the individual’s marginal rate.

- **That part of a retirement lump sum that is taxed under Schedule E should be included on forms P30, P35, P60 etc. but should not be included on this Form.**

Important – it should be noted that where an individual has already taken a retirement lump sum or lump sums on or after 7 December 2005 and before 1 January 2011, they must be taken into account in determining the tax-free amount appropriate to a retirement lump sum paid on or after 1 January 2011. For example, if an individual has already taken retirement lump sums of €200,000 or more since 7 December 2005, any further retirement lump sums paid to the individual on or after 1 January 2011 will be taxable. These earlier lump sums will also count towards determining how much of a lump sum paid on or after 1 January 2011 is to be charged under Case IV at the standard rate or under Schedule E at the marginal rate. (See examples 5 – 7 overleaf.)

Please note that the €200,000 tax-free amount is a lifetime limit and applies to a single lump sum or where an individual is in receipt of lump sums from more than one pension product, to the aggregate of those lump sums.

The administrator of a “relevant pension arrangement” who deducts tax from an excess lump sum in accordance with section 790AA (3)(a)(i) or (3)(b)(i)(I) TCA 1997 must provide the information requested in this form to the Collector-General within 3 months of the end of the month in which the lump sum giving rise to the excess lump sum is paid.

*€575,000 represents 25% of the current Standard Fund Threshold of €2.3m.

METHOD OF PAYMENT

Payment of the tax at Part C (5) of the Form must be made by Electronic Fund Transfer (EFT) to the following Bank Account:

**Bank of Ireland,
College Green,
Dublin 2.**

**ACCOUNT NO: 93288479
SORT CODE: 900017
IBAN: IE33BOFI90001793288479**

ENQUIRIES

Any enquiries regarding the tax liability on the lump sum to which this return relates should be addressed to the Office of the Revenue Commissioners, Financial Services Pensions, Large Cases Division, Setanta Centre, Nassau Street, Dublin 2, Ireland. Email: lcdretirebens@revenue.ie Telephone: 00 353 1 6470710.

Any enquiries regarding payment should be addressed to the Office of the Revenue Commissioners, Collector-General's Office, Payment Accounting, Sarsfield House, Francis Street, Limerick, Ireland. Email: moneytrans@revenue.ie Telephone: 00 353 61 488109.

The following examples illustrate how the taxation of retirement lump sums works in practice.

Example 1

A is paid a retirement lump sum on 10 January 2011 of €180,000. This is the first such lump sum he has received. A's retirement lump sum is exempt from tax as it is less than the tax-free limit of €200,000. He has, however, "used up" €180,000 of his lifetime tax-free limit.

Example 2

A is paid a further retirement lump sum of €150,000 on 30 June 2011. As the tax-free limit applies to the aggregate of all retirement lump sums received on or after 7 December 2005, A must aggregate both lump sums to determine how much of the second lump sum is subject to tax. The aggregate of the lump sums received since 7 December 2005 is €330,000 (€180,000 + €150,000). This exceeds his lifetime tax-free limit of €200,000 by €130,000. The "excess lump sum" of €130,000 is, therefore, subject to tax under Case IV at the standard rate of income tax in force in 2011 i.e. 20%.

Example 3

A is paid a further retirement lump sum of €450,000 on 30 September 2011.

As illustrated in Example 2, his lifetime tax-free limit of €200,000 has already been fully "used up" and he has also "used up" €130,000 of the amount that is charged at the standard rate (i.e. €375,000; the difference between the tax-free limit of €200,000 and €575,000). The lump sum paid on 30 September 2011 is subject to tax as follows:

- €245,000 under Case IV @ the standard rate of tax in force in 2011 (€375,000 – €130,000 = €245,000),
- the remaining €205,000 under Schedule E @ his marginal rate of tax in 2011.

Example 4

B is paid a retirement lump sum of €800,000 on 31 January 2011. This is the first such lump sum she has received. She is charged to tax as follows:

- the first €200,000 is exempt,
- the next €375,000 is taxed under Case IV at the standard rate in force in 2011, and
- the balance i.e. €225,000, is taxed under Schedule E at her marginal rate in 2011.

If B receives any future retirement lump sum, it will be subject to tax under Schedule E at her marginal rate in the year it is paid.

Example 5

C is paid a retirement lump sum on 10 January 2011 of €120,000. She had previously received a lump sum on 30 June 2009 of €150,000. Even though the earlier lump sum was not taxable, it “used up” €150,000 of the €200,000 tax-free limit. This means that the “unused” balance of the tax-free limit is €50,000 (€200,000 – €150,000) and this amount is offset against the lump sum paid on 10 January 2011. Therefore, €70,000 of the later lump sum is taxable under Case IV at the standard rate of 20%. The earlier lump sum is unaffected.

Example 6

D is paid a retirement lump sum on 10 January 2011 of €100,000. She had previously received a lump sum on 30 June 2009 of €300,000. As D’s earlier lump sum already exceeds the tax-free limit, all of the latest lump sum is taxable. The €100,000 lump sum taken on 10 January is taxable under Case IV at the standard rate of 20%. The earlier lump sum is unaffected.

Example 7

F is paid a retirement lump sum on 1 July 2011 of €400,000. He had previously received a retirement lump sum of €500,000 on 1 January 2006. The earlier lump sum has “used up” all of F’s tax-free limit of €200,000 so that all of the lump sum taken on 1 July is taxable. Even though the earlier lump sum was not taxable, it affects the rate of tax applying to the later lump sum. The earlier lump sum has “used up” the €200,000 tax free limit, and €300,000 of the €375,000 that is taxable under Case IV at the standard rate. Therefore:

- €75,000 of the later lump sum is taxed under Case IV at the standard rate in force in 2011, and
- the remaining €325,000 of the later lump sum is taxed under Schedule E at F’s marginal rate in 2011.