



Staff pensions – an employer’s duty

Declan Gahan, senior financial consultant at Veterinary Ireland Financial Services, examines some of your obligations as an employer. To help, he has prepared this simple guide to assist vets satisfy their duty to provide a pension deduction facility to all employees including when it applies to a spouse

WHAT DO I HAVE TO DO AS AN EMPLOYER?

As an employer, you have an obligation to provide a pension deduction facility to all of your employees, including full-time, part-time, seasonal, temporary, contract and casual employees.

Since 2003, you are obliged to provide a deduction facility for at least one Standard PRSA if:

- there is no Occupational Pension Scheme (OPS) in force;
- you have an OPS where the eligibility period is greater than six months;
- any employee is ineligible;
- the OPS rules do not provide for Additional Voluntary Contributions (AVCs); and
- employees are included in the OPS for death-in-service benefits only.

Most veterinary practices do not have an OPS in place, and

as such, must set up a PRSA facility for all employees.

Note: You are not obliged to contribute to the PRSA account and there is no charge for setting up a PRSA contract with a provider.

WHAT ELSE DO I HAVE TO DO?

You have to:

- provide a payroll deduction facility under which the PRSA contributions are deducted net of tax;
- ensure your employees are made aware of the facility and allow reasonable access with paid leave to meet the chosen provider;
- contributions must be passed to the provider not later than 21 days after the month of deduction;
- you must provide a statement of the contributions deducted from each employee’s pay, including contributions made by you, to each employee and to

- the provider on a monthly basis; and
- you do not have to facilitate deductions to more than one provider – if an employee wishes to use a different provider then they must make their own private arrangement for payment outside of your payroll deduction facility.

WHAT HAPPENS IF I DON'T PROVIDE ACCESS TO A PRSA FOR MY EMPLOYEES?

As an employer, you may be subject to an on-the-spot fine if you fail to respond to a request by the Pensions Authority to furnish information about your provision of access to a PRSA. You may also receive an on-the-spot fine if you do not provide at least a monthly statement to employees showing employee contributions deducted and any employer contributions paid in the previous month.

TAX EFFICIENCIES

Did you know there are tax efficiencies to employing your spouse and that it can boost your overall pension pot? Very often your spouse is an essential part of your practice but does not receive any financial reward. Where your spouse is a bona fide employee of your practice, there is an excellent opportunity to direct some of the taxable profits to both Schedule E and into an executive pension plan. This can help you maximise tax reliefs and retirement benefits for both you and your spouse.

HOW MUCH CAN YOUR SPOUSE EARN AT THE LOWER INCOME TAX RATE OF 20%?

Your spouse can earn up to €23,800 in the current year and only pay Income Tax at 20% on those earnings, as against the 40% Income Tax rate that you are more than likely paying on your personal income. This is due to the difference in the tax bands for a married couple where both spouses are working (€65,600), compared to a married couple where only one spouse is working (€41,800). Of course, any salary that you pay your spouse in excess of €23,800 will also be taxed at 40%.

HOW MUCH TAX CAN YOU SAVE ON YOUR COMBINED INCOMES?

If your spouse has no other source of income, and if they are employed by you, then paying them €23,800 can effectively save €4,998 in Income Tax payments on your combined incomes in the current year. This is a saving of 21% on the €23,800 salary which you pay to your spouse.

DOES YOUR SPOUSE PAY PRSI AND USC ON HIS/HER EARNINGS?

Employees who are spouses of their employers are not normally liable to PRSI on their earnings, but they are liable to the Universal Social Charge (USC) which varies depending on Income, unless their earnings do not exceed €13,000 in the current year. Full Class A PRSI is paid if the spouse is an employee of a partnership and not just an employee of their own spouse.

HOW DO YOU MAXIMISE PENSION FUNDING FOR YOU AND YOUR SPOUSE?

Where your spouse is also your employee then you can put an Executive Pension plan in place for them and get tax relief of up to 55% on your contributions to this plan. An added advantage of doing this is that, as an employer, your contributions to your spouse's Executive Pension plan are not limited by the age-related contribution limits and the earnings cap of €115k that currently apply to pension contributions paid personally. This allows you to contribute more to pension funding as a couple, and potentially accumulate a much greater amount of capital in pension funds than the amount you could potentially accumulate for yourself as an individual. It also gives you the opportunity to maximise the tax-free lump sum available on maturity of both your funds.

For more information on any of these issues or to arrange an appointment, please contact:

Mary Goodman Mehigan,
Senior financial consultant
Email: mary@vetireland.ie or phone: 086 7770266.

Declan Gahan
Senior financial consultant
Email: declan@vetireland.ie or phone: 086 7770283.
Veterinary Ireland Financial Services Ltd is regulated by the Central Bank of Ireland.



**Veterinary Ireland
Financial
Services Ltd.**

The Veterinary Ireland Members Pension & Investment Platform

- Pre & Post Retirement Planning
- Access to global Leaders in Investment Management
- Access to Capital Guaranteed Products
- No Entry or Exit Charges
- Transparent Charging Structure

As the official financial services provider of Veterinary Ireland we are focused on providing best individual advice to members.

Your Pension, Your Investments, Your Platform.

Declan Gahan



Senior Financial Advisor
Mobile: 086 777 02 63
E-mail: declan@vetireland.ie

Mary Goodman



Senior Financial Advisor
Mobile: 086 777 02 66
E-mail: mary@vetireland.ie

T: 01 457 79 87 | E: finance@vetireland.ie | W: www.veterinaryireland.ie
 Veterinary Ireland Financial Services Limited is regulated by the Central Bank of Ireland.