



From work to retirement

Entitlements for Older People Factsheet 2

There is no single fixed retirement age for employees in Ireland. If you are employed, your retirement age is set out in your contract of employment. Some contracts of employment have a mandatory retirement age (that is, the age at which you must retire) but they may also have provisions for earlier retirement generally and/or on grounds of illness.

The usual retirement age in contracts of employment is 65. Many have provisions for early retirement from age 60, or in some cases from age 55. If you are self-employed, there is no set retirement age. There is no overall retirement age for company directors but the company's articles of association may set a maximum age. Employment equality legislation provides for age equality in employment but it does not prevent the setting of different ages for retirement.

If you continue to work either full-time or part-time after what is generally considered 'normal' retirement age you have broadly the same rights as other workers including statutory redundancy payments. In general, you are covered by legislation dealing with the following: information about your terms and conditions; holidays; leave for specific purposes such as carer's leave; the minimum wage; working hours; health and safety; minimum notice; unfair dismissal.

Income supports for retired people

Before you decide to retire, you need to know what income supports are available. If you opt for early retirement, you may need to take various steps to ensure that you maintain your entitlement to social welfare pensions. Opting for early retirement may mean that you have a number of years during which you have no PRSI contributions. This could mean that you may have difficulty in qualifying for the State Pension (Contributory) or other social welfare pensions. If you are not employed or self-employed, you do not have to pay PRSI contributions but you can keep your PRSI record up to date either by getting credits or paying voluntary PRSI contributions. For more information, contact your social welfare local office.

For more information on State pensions, see *Factsheet 1: Income supports*.

If you retire early, for whatever reason, you may be entitled to Jobseeker's Benefit and subsequently to Jobseeker's Allowance. You may also be eligible for a range of back-to-work and back-to-education schemes. If you are made redundant, you may be entitled to a statutory redundancy lump sum and, in some instances, a further non-statutory redundancy payment (see below for the tax treatment of this).

Retirement and ill health

If you are retiring because of ill health, you may be entitled to certain social insurance or means-tested payments from the Department of Social and Family Affairs. The Health Service Executive also provides a range of health and personal social services for people who become ill or acquire a disability. See *Factsheet 3: Illness and caring*.

Income tax

People aged 65 and over are subject to the same general tax rules as everyone else but they do get higher exemption limits and an Age Tax Credit.

As a general rule, all income is taxable and liable to the income levies. This includes social welfare and occupational pensions but a small number of pensions are exempt, for example, certain military pensions. Certain foreign pensions which would be exempt from tax if you were resident in the country paying the pension are also exempt from tax in Ireland.

The rules on taxation of foreign income are complex and are generally governed by double taxation agreements with the country in question.

Pay-Related Social Insurance (PRSI)

The Pay-Related Social Insurance (PRSI) scheme includes both social insurance contributions – on incomes up to €75,036 - and health contributions or the health levy.

You are not liable for PRSI contributions after the age of 66 – this is the case whether or not you are employed or self-employed. If you are aged under 66 and you are employed or self-employed, you are liable to pay PRSI in the normal way. This applies regardless of what you did previously. For example, if you are a former public servant and you take up a job in the private sector, you have to pay full PRSI. You only pay PRSI on your income from employment or self-employment. You do not have to pay PRSI on your pension from a former employment.

If you take up part-time work or low-paid work, you are still in the PRSI system but you may not have to pay anything. If you earn less than €352 gross per week (before tax is deducted), you will not pay any social insurance. This does not mean that you are not getting a contribution. You are still covered by Class A social insurance because your employer is paying social insurance on your behalf. If your income is over €352, then you pay PRSI at 4% on the amount of your income above €127 a week up to a ceiling. The current ceiling is €75,036.

If you are self-employed and earn over €3,174 in a year, you are liable for PRSI at 3%.

Many pensioners think they are paying PRSI because their payslip from the pension payer has a deduction under the heading of PRSI – this is actually the health levy and not PRSI itself.

Health levy

In addition to their PRSI payments, employed and self-employed people between the ages of 16 and 70 may have to pay the health levy of 4% if their income is over a certain amount (€500 per week or €26,000 per year). Anyone over this limit is liable to pay the health levy on all of their income, but if you receive more than €1,443 per week or €75,036

per year, you pay 5% for the portion of your income over that figure. Employed or retired people with income of less than €500 in any week are exempt from the contribution in that week. Income from social welfare payments is not counted when calculating your income for the health levy.

A number of groups do not have to pay the health levy:

- » People who hold medical cards
- » People aged 70 or over
- » People who are getting Widow's/Widower's Pension, One-Parent Family Payment or Deserted Wife's Benefit/Allowance from the Department of Social and Family Affairs or a widow's pension from an EU country

There are different methods of payment:

- » Insured workers pay as part of their PRSI contribution
- » People who have pensions from their former employers have the health levy deducted at source in the same way as their tax is deducted
- » For the self-employed and people with investment income, the health levy is payable annually with their tax and PRSI contributions under the self-assessment system

Income levy

An income levy was introduced from 1 January 2009. The income levy is payable on gross income from all sources before any tax reliefs, capital allowances, losses, pension contributions or PRSI. You do not pay the income levy if you:

- » Are under 65 with an annual gross income **not** more than a specified limit (currently €15,028)
- » Are aged 65 or over with an annual gross income **not** more than €20,000 for a single individual or €40,000 for a married couple (your social welfare pension is not included when assessing your income for this purpose)
- » Have a full medical card

From 1 May to 31 December 2009 the income levy rates are:

- » 2% on income up to €75,036
- » 4% on income over €75,036 up to €174,980
- » 6% on income above €174,980

For more information on the levy contact the Revenue Commissioners.

Tax relief on pension contributions

You can get tax relief on your contributions to an approved occupational pension scheme, a personal pension scheme or a PRSA (Personal Retirement Savings Account). In 2009 the earnings limit was set at €150,000 (previously the limit was €275,239).

How pensions are taxed

Occupational pensions and social welfare pensions are taxable. Social welfare pensions are not subject to the income levy introduced in 2009. However if your only income is a social welfare pension, you may not have to pay tax because your income may be less than the threshold.

If you are getting an occupational pension, it is usually taxed by PAYE in exactly the same way as you were taxed while employed. If you receive both an occupational pension and a social welfare pension, your normal tax credits are reduced to take account of your social welfare pension. So, you effectively pay tax on both pensions but it is collected from your occupational pension.

Tax exemption limits

Exemption limits are limits below which no tax is payable. They are not the same as tax-free allowances or tax credits.

Tax exemption limits for people aged 65 and over in 2009	
Single/widowed person	€20,000
Married couple	€40,000
First two dependent children	€575 each
Increases for subsequent children	€830 each

Tax reliefs

Tax credits and tax allowances are the two main types of tax reliefs, which reduce the amount of tax that you have to pay. Tax credits reduce your tax by a definite amount – the amount of the credit, while the value of a tax allowance depends on the highest rate of income tax that you pay.

Some tax credits are only available to people over 65 and some are designed for people who care for an elderly or incapacitated relative. The following are the most important of these.

Age Tax Credit

Everyone has a personal tax credit. People over 65 also have an Age Tax Credit – currently €325 for a single person and €650 for a married couple.

Tax relief for rent paid

A higher amount of tax relief is available to people aged 55 and over for rent paid for private rented accommodation. The maximum amount on which you can claim tax relief at the standard rate for people aged 55 and over is €4,000 (€800) for a single person and €8,000 (€1,600) for a widowed or married person.

Allowance for employing a carer

If you employ a carer for an incapacitated spouse or relative you may be eligible for a tax-free allowance of up to €50,000.

Deposit Interest Retention Tax (DIRT)

Deposit Interest Retention Tax (DIRT) is deducted from the interest payable on savings in banks, credit unions and other financial institutions. This happens whether or not you would normally be liable for tax.

From 2007 if you are aged 65 or over (or your spouse is aged 65 or over or if you or your spouse are permanently incapacitated), interest may be paid to you without DIRT being deducted. Contact your financial institution. The income levy does not apply to interest earned to which DIRT has been applied.

Lump sum for loss of employment

If you receive a lump sum in compensation for the loss of employment, part of it may be tax-free. The rules are complex. The statutory redundancy lump sum is always tax-free. After that, the first €10,160 plus €765 for each year of service is tax-free. Another €10,000 is tax-free in certain circumstances.

A lump sum which is payable as part of your pension arrangements when you retire is not in the same category. It is generally tax-free.

Useful addresses

Department of Social and Family Affairs

Social Welfare Services
College Road
Sligo
Lo-call: 1890 500 000
www.welfare.ie

Financial Regulator

College Green
Dublin 2
Tel: 01 410 4000
Lo-call: 1890 777 777
www.itsyourmoney.ie

National Employment Rights Authority

O'Brien Road
Carlow
Lo-call: 1890 201 615
www.employmentrights.ie

Equality Authority

Birchgrove House
Roscrea
Co. Tipperary
Tel: (0505) 22388
Lo-call: 1890 245 545
www.equality.ie

Revenue Commissioners

Border Midlands and West:
1890 777 425
Dublin: 1890 333 425
South West: 1890 222 425
East and South East: 1890 444 425
www.revenue.ie

The Citizens Information Board is the statutory body which supports the provision of information, advice and advocacy on the broad range of social and civil services to the public. It provides the Citizens Information website and supports the voluntary network of Citizens Information Services and the Citizens Information Phone Service.

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You can find more information on all the entitlements covered in this factsheet in the booklet *Entitlements for over sixties*, available from your local Citizens Information Centre or visit www.citizensinformation.ie.

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