

2008/2009 Financial Guideline 13

Public Service Pension Related Deduction (PRD) (Pension Levy)

Supplementary information to Financial Guideline 12

As a general principle, a person is liable for the Public Service Pension Related Deduction (PRD) commonly referred to as “the Pension Levy” if he/she is a member of a public service pension scheme or is entitled to benefit under such a scheme or receives a payment in lieu of membership in such a scheme.

Following many queries on this issue, we wish to add the following clarifications to Financial Guideline 12 issued last week to all schools:

1. Public Examination Related Payments

Some confusion has arisen in schools in relation to the application of the PRD to public examination related payments. Financial Guideline 12 (issued to schools last week) dealing with the application of the PRD is accurate and should be followed by all schools. The ASTI communication to teachers regarding the application of the PRD to examination related payments **only applies to payments made directly by the State Examinations Commission (SEC)** to supervisors and other examination related personnel. Payments made **by the school** to Examination Aides and additional supervisors appointed by the school are subject to the PRD as outlined in Financial Guideline 12.

- a) The SEC will apply the PRD to all payments made to teachers and others who are members of the public service pension scheme. The SEC has stated that it is responsible for applying the PRD to gross income arising from employment **with the SEC only**.
- b) Where the school appoints one of its own employees for public examination related work (such as a teacher, an SNA or other person) and who has access to a public service pension scheme then **the PRD must be applied cumulatively to all earnings in any one tax year**. This raises the problem for school authorities in determining the cumulative level of income for its employees whose paymaster is the Department of Education and Science. School management needs to know whether an employee is earning under or over €60,000 gross in the tax year in question. The PRD is deducted at 10% on gross payments where income is below €60,000 and at 10.5% where gross income is over €60,000. If the school cannot

determine the level of gross income then it is advisable to deduct the PRD at the 10% rate.

- c) Where an individual is otherwise employed in the public sector or in receipt of a public service pension (e.g. retired teacher or garda) the school is responsible for deducting the PRD at the appropriate rate for school based payments only.

The Financial Emergency Measures in the Public Interest Act 2009 which gives legal effect to the PRD states that employers who do not deduct the PRD as required will have any public sector grants due to them reduced by the amount of the PRD liability.

2. Privately Paid Teachers

In some cases a teacher is employed privately by the school. The school pays the teacher from private funds in the normal way and is fully tax compliant. A privately paid teacher has the option of joining the Department of Education and Science public sector pension scheme and making the contributions to the scheme in his/her private capacity. All income paid to such teachers is subject to the PRD.

The DES has written to all schools giving them the names of the privately paid teachers in each school who have opted to join the DES pension scheme. **The PRD must be deducted from such salaries at the appropriate rate.** Where the school has not received notification that the privately paid teacher has joined the State pension scheme the school should not deduct the pension levy.

In fee paying schools, all permanent wholtime teachers who are paid by the Department of Education and Science are paid an additional school based salary of approximately €507 per annum by the school. **This payment is pensionable and is therefore subject to the PRD.**

3. Application of the PRD

A teacher's liability to the PRD is against his/her total remuneration as a public servant from whatever source. In other words, the PRD is charged at the same rate as if there was one employer and the exemption band will be absorbed accordingly. A "balancing mechanism" will be put in place which will address any under or over payments at year end.

The PRD should be applied on a "Week 1 Basis" and the person processing payroll should check the calculations on the payroll system for accuracy. Adjustments may have to be made to ensure correct deductions are made.

The PRD has been incorporated into payroll packages but cannot take account of income from other employers.

4. Rates of PRSI

The PRSI class applicable to subsidiary employments such as Supervision/Substitution work, after school study and games coaching is determined as follows:

- Class J applies to all subsidiary employments no matter how much is earned **if Class D applies to the employee's main salary**
- **Class J applies to all payments in connection with the State Examinations**
- Class A applies where the employee's main salary is also subject to Class A.

Note: Any teacher who commenced teaching after April 6, 1995 is subject to the A1 rate. Teachers employed prior to that date are subject to the D rate.

5. Supervision / Substitution

The Department of Education and Science issues a grant to school for the purpose of paying staff for the supervision/ substitution where not all teachers have contracted into the scheme. **The grant is paid from public funds and therefore any payments made to teachers and other staff from this money is subject to the PRD provided the person being paid is a member of a Public Service Pension Scheme.**

6. After School Study / Music / Sports Coaches etc.

The school also receives income from parents and the local community which is a source of private funding for the school. These funds are used to pay teachers and others for various school activities and services such as supervision of after school study, music and drama activities, sports coaching and so on. **Payment to teachers and other staff from these funds is not subject to the PRD as the source of the funding is private.**

<p>N.B. Any Pension Levy deductions made by the school will have to be paid to the Department of Education and Science before the end of 2009. The DES does not yet have a mechanism for receiving such payments. The Pension Levy deductions should NOT be returned to the Revenue Commissioners.</p>

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