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Financial Support Services Unit

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2008/2009 Financial Guideline 12

Pension Levy

Introduction
The Public Service Pension Related Deduction (PRD) or "Pension Levy" introduced in the recent budget applies to all remuneration payable to a person who is entitled to a public service pension. The PRD is provided for in the Financial Emergency Measures in the Public Interest Act 2009.

The Public Service Pension Related Deduction
The PRD applies to all earnings paid to anyone employed in a public service body **and** is a member of, or has access to, or otherwise receives a benefit from a public service pension scheme. It includes **non-pensionable pay** such as overtime, acting up allowances, payments for examination supervision and correction, payments to examination aides and payments made by the school from DES grants for supervision and substitution.
The basic criterion is as follows: **if a person is going to be in receipt of a government pension then the PRD applies to all taxable income paid to that person from public funds.**

The levy applies not only to the person's basic salary but also to any top up or additional salary. The rate applied by the second and subsequent employers will be determined by reference to the employee's cumulative salary.

Exemptions
Payments made to teachers for supervised after school study where the income is raised privately from parents is **not subject to the PRD** but is subject to all other deductions such as PAYE, income levies and PRSI.

Travel allowances and subsistence allowances are not subject to the PRD.

Tax Relief
The PRD deduction is treated in the same way as the pension deduction with tax relief granted at the marginal rate. The PRD is calculated on gross pay. Tax, PRSI and health levies are calculated on the balance after PRD has been deducted. Income levies are deducted on total gross income.

The PRD Rate

The rate of deduction is based on gross income. The PRD applies cumulatively to all earnings in any one tax year. This means the rates will change only when the threshold has been exceeded. For the first year, the year of account is from March 1, 2009 to December 31, 2009. From 2010, the year of account is the calendar or tax year.

How to Calculate the Rate of PRD

If an individual receives any income from the school which is subject to the PRD, then the school must determine the appropriate rate of PRD as follows:

- Where the individual is already an employee of the school such as a teacher or SNA, then the school is responsible for deducting the PRD at the appropriate rate by reference to the total aggregate earnings in the school. For example, a teacher earning €65,000 is paid an additional €2,000 gross for Supervision and Substitution, then the school must deduct PRD of 10.5% from the €2,000 payment. An SNA earning €14,000 who receives an additional €2,000 will be subject to a 5% rate PRD.
- Where an individual is otherwise employed in the public sector or in receipt of a public service pension (e.g. a retired teacher or garda) the school is responsible for deducting PRD at the appropriate rate for the school based payment only.

Making PRD Returns

Unlike PAYE, the Income and Health Levies and PRSI deductions, **deductions for PRD are not returned to the Revenue Commissioners.** Total amounts deducted by schools for PRD will have to be returned to the Department of Education and Science by the end of the tax year. Arrangements for making such payments have not yet been put in place so schools should retain all deductions until informed otherwise.

Computerised Payroll

If not already doing so, schools are strongly advised to **purchase a computerised payroll package** such as Thesaurus, Collsoft or Sage Quickpay as all the necessary deductions including the PRD are automatically calculated. Information on computerised payroll packages is attached.

Fergus Dunne, Director,
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