

An overhead photograph of a business meeting around a wooden table. Five people are seated, looking at documents and laptops. A man in a dark suit points at a large architectural plan on the table. The table is cluttered with papers, a calculator, coffee cups, and a laptop. The background is a dark wooden wall.

Redundancy Presentation to Counterpoint

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8th April 2021

What we will cover

1. Redundancy lump sum- tax calculations
2. Leaving Service – what happens next
3. Additional Voluntary Contributions – how to maximise

Statutory redundancy calculation

The statutory redundancy payment is a lump-sum payment based on the pay of the employee:

- ✓ Two weeks' pay for every year of service and
- ✓ One further weeks' pay

Pay for statutory redundancy purposes is limited to €600 per week (€31,200 per annum).

This is paid tax free.

Tax Free Amount – Non-statutory lump sum

The Statutory redundancy portion of your severance is tax free. In addition, you can take the maximum of one of the below calculations:

1. Basic Exemption
2. Increased Exemption (only available if you have not made any claim against redundancy in last 10 years)
3. Standard Capital Superannuation Benefit (SCSB)

A lifetime limit of €200,000 plus the statutory amount can be paid tax free. Where your role is being made redundant the statutory element can be paid in addition to the lifetime limit.

Non Statutory Severance Tax Exemptions

Non Statutory Severance

Basic Exemption:

€10,160 plus €765 per complete year of service

Example:

€10,160 plus (€765 x 10 years) = €17,810

Non Statutory Severance Tax Exemptions

Non Statutory Severance

Increased Exemption:

- €10,160 plus €765 per complete year of service, plus
- €10,000 (can only be claimed once every 10 years)
- Less present value of pension tax free lump sum
- Subject to Revenue Approval
- Example: (assuming present value of tax free lump sum is €6,000)

€10,160 plus (€765 x 10 years) plus €10,000 less €6,000 =
€21,810

Non Statutory Severance Tax Exemptions

Non Statutory Severance

Standard Capital Superannuation Benefit (SCSB):

- $((A \times B) / 15)) - C$
 - A = annual average emoluments over your last 36 months
 - B = Whole number of completed years service
 - C = Present value of pension tax free lump sum
- Of benefit to those with higher salaries or longer service
- Example: (assuming average annual salary of €95,000)
 $((€95,000 \times 10 \text{ years}) / 15)) \text{ less } €6,000 = €57,333$

Waive pension tax free lump sum

- ✓ You may be able to increase your after-tax redundancy payment by waiving your right to a tax free lump sum at retirement from the Britvic Ireland pension scheme
- ✓ You will need to sign a form (which is retained by Invesco)
- ✓ If you waive your right to a tax-free lump sum from the Britvic Ireland pension scheme, on retirement you will not be able to take any of your Britvic pension benefit as a tax-free lump sum. You may be able to take lump sums from other pension arrangements

Assuming retention of tax free lump sum

Example

Statutory Severance Lump Sum	€12,600
Non Statutory Severance Lump Sum	€150,000

Basic

€10,160 plus (€765 x 10 years) =	€17,810
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Increased

€10,160 plus (€765 x 10 years) +10,000 – 6,000 =	€21,810
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SCSB

(€95,000 x (10 years / 15)) - €6,000 =	€57,333
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Assuming waive tax free lump sum

Example

Statutory Severance Lump Sum	€12,600
Non Statutory Severance Lump Sum	€150,000

Basic

€10,160 plus (€765 x 10 years) =	€17,810
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Increased

€10,160 plus (€765 x 10 years) +10,000 – 0 =	€27,810
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SCSB

(€95,000 x (10 years / 15)) - €0 =	€63,333
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How much of my severance will I pay tax on?

Example

Statutory Severance Lump Sum	€12,600	€12,600
Non Statutory Severance Lump Sum	€150,000	€150,000
Total Severance Lump Sum	€162,600	€162,600
Gross Taxable Severance Lump Sum	€150,000	€150,000

	No Waiver	Waiver
Exempt amount allowed by Revenue	€57,333	€63,333
Amount you will need to pay tax on	€92,667	€86,667
Income tax at 40%	€37,067	€34,667
USC 8%	€ 7,413	€ 6,933
Total income tax / USC due	€44,480	€41,600
Net payment	€118,120	€121,000

Leaving Service – leaving options

Invesco will write to you within 2 months of your leave date with your options including:

1. Leave your accrued benefit in the scheme. Your DC/AVC retirement account will remain invested and you will retain control over their investment. No further contributions can be made at this point.
2. Transfer your accrued benefits to another occupational pension scheme. DB transfer values are calculated by the actuary and are not guaranteed. The valuation is very sensitive to long term interest rates. The AVC value is also not guaranteed.
3. Retirement options (if you are over 50). The options will depend on whether you have opted to waive your tax free cash from this scheme.

Additional Voluntary Contributions

- Expected leave date is 30th April 2021 (for example). You can only contribute and receive income tax relief for **4 months** of 2021. If you did not maximise your contributions in 2020 you can do this now outside payroll.
- **NB: AVCs paid outside payroll must be received before leaving service**

Age	% of earnings
<30	15%
30 – 39	20%
40- 49	25%
50-54	30%
55-60	35%
>60	40%

The % rates are subject to an overall earnings cap of €115k. You receive full income tax relief but still pay PRSI & USC.