

Tax-saving opportunities for Proprietary Directors

If you are a **Proprietary Director** (i.e. a director who owns or controls more than 15% of the shares in your company), you are obliged to file self-assessment tax returns by 31 October in respect of last year, even if all of your income is taxed under the PAYE system.

If your income includes non-PAYE income you must pay any balance of Income Tax, PRSI and USC outstanding from last year. You will also need to consider paying Preliminary Tax for the current year.

You can reduce your 2021 total tax liability and you may even receive a refund cheque from the revenue. This can be achieved by personally making a lump sum pension contribution by 31 October 2022 and also by this date electing to backdate the tax relief to 2021, subject to the age-related maximum contribution limits below.

Age Band	% of Net Relevant Earnings
Up to age 29	15%
30 – 39	20%
40 – 49	25%
50 – 54	30%
55 – 59	35%
60 and over	40%

Notes:

1. An earnings cap of €115,000 applies to contributions. Pension contributions made by you in 2021 must be deducted from the maximum tax-allowable contribution calculated based on these limits.
2. Age is age on your birthday in 2021.
3. Retirement benefits are subject to separate Revenue limits.
4. Reference throughout this document to 'Tax' refers to 'Income Tax'.



Note: If you use the Revenue Online Service (ROS) to both file your tax returns and pay your taxes you have until 16 November 2022 to file and pay for 2021.



Example

Sarah is a proprietary director i.e. a director who owns or controls more than 15% of the shares in her company. She paid Income Tax at the 40% rate in 2021. She makes a pension contribution of €20,000 by 31 October 2022, which is within the age-related limits allowed. With her return of income for 2021 she informs her local tax office by 31 October 2022 of this payment and of her desire to backdate the tax relief on this to 2021. She is entitled to the following refund:

	40% Taxpayer
Gross Pension Contribution	€20,000
Tax Refund	€8,000
Net Outlay	€12,000

What type of pension plan?

- If your company does not contribute to an Occupational Pension arrangement on your behalf you can make contributions to a Personal Pension plan or a PRSA plan in respect of your income from your company.
- If your company contributes to an occupational arrangement on your behalf you can make contributions to a Group Additional Voluntary Contribution (AVC) arrangement or to a PRSA AVC plan in respect of your income from your company.
- If you have non PAYE relevant earnings you may be able to make contributions to a Personal Pension plan or PRSA plan in respect of this income (but subject to Revenue Rules in relation to dual income arising from concurrent employments, if any).

Make the most of the tax-efficiency of pension contributions now – you may never get such good value again!

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The information contained herein is based on Zurich Life's understanding of current Revenue practice as at September 2022 and may change in the future.

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