**TREATMENT OF INCOME FOR PURPOSES OF THE UNIVERSAL SOCIAL CHARGE (USC)**

Under current rules, all payments received from the Department of Employment Affairs and Social Protection (DEASP) (eg State Pension (Contributory)) are exempt from USC.

In addition, if a person’s income is less than €13,000, it is exempt from USC.

This means that a person who is receipt of the maximum State Pension (Contributory) - €12,651.60 a year – and who also has an income of €12,999 from another source, is not liable for payment of any USC.

On the other hand, a retired public servant, who has the same total income of €25,650.60, but who receives it all from a public service pension, pays € 477.25 in USC.

Some further examples are attached, which illustrate this anomaly, which has a particular negative impact on public service pensioners who were recruited before 6 April 1995.

The Council of the RCPSA is seeking to have the anomaly addressed and urges all members to raise the issue with public representatives when the opportunity arises.

*Note: For the purposes of the examples, the maximum rate of the State Pension (Contributory) has been used and the Qualified Adult Dependant rate is for a dependant aged 66 or over. With regard to the USC rates, the rates used are the standard rates in effect in January 2019; reduced rates of USC apply where a person holds a medical card or where a person is aged 70 or over and has an income of €60,000 or less.*

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| --- | --- | --- | --- | --- |
|  | **CASE 1**  State Pension Only – Single Person | **CASE 2**  State Pension Only – with Qualified Adult Dependant | **CASE 3**  Public Service Pension Only | **CASE 4**  Public Service Pension Only |
| **Weekly pension** | €243.30 | €243.30+€218.00=€461.30 |  |  |
| **Yearly pension** | €12,651.60 | €23,987.60 | €18,257.50 | €23,987.60 |
| **USC Calculation** | The State Pension is exempt from USC | The State Pension is exempt from USC | €12,012 @ 0.5% = €60.06  €6,245.60 @ 2% = €124.91 | €12,012 @ 0.5% = €60.06  €7,862 @2% = €157.24  €4,113.60 @ 4.5% = €185.11 |
| **USC Liability** | **NIL** | **NIL** | **€184.97** | **€402.41** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **CASE 5**  State Pension + Private Pension – Single Person | **CASE 6**  State Pension + Private Pension - with Qualified Adult Dependant | **CASE 7**  Public Service Pension Only | **CASE 8**  Public Service Pension Only |
| **Weekly pension** | €243.30 | €243.30+€218.00=€461.30 |  |  |
| **Yearly pension**  **Private pension**  **Gross Income** | €12,651.60  €12,999  €25.650.60 | €23,987.60  €12,999  €36,986.60 | €25.650.60 | €36,986.60 |
| **USC Calculation** | The State Pension is exempt from USC  The income of €13,000 is within the USC exemption limit | The State Pension is exempt from USC  The income of €13,000 is within the USC exemption limit | €12,012 @ 0.5% = €60.06  €7,862 @2% = €157.24  €5,776.60 @ 4.5% = €259.95 | €12,012 @ 0.5% = €60.06  €7,862 @2% = €157.24  €17,112.60 @ 4.5% = €770.07 |
| **USC Liability** | **NIL** | **NIL** | **€477.25** | **€987.37** |