

# Local Authority Members (Gratuity) Regulations 2006 and additional ex-gratia payment

Plain language presentation from AILG

**Health Warning:** this is presented as the AILG understanding of the scheme and related taxation position. Do seek qualified advice if you feel your circumstances are more complicated than those covered in this presentation.

## **Gratuity: the Basics**

- 1. The gratuity is calculated as 4/20ths (20%) of the Representational Payment sum in force at time of your retirement for each year of service**
- 2. For example today's value (October 2018) of your representational payment is €17,060. This is divided by 20 and multiplied by 4 to give the yearly gratuity figure of €3,412.**
- 3. Then this figure is multiplied by your years of service to give you the gratuity.**

**Another way of looking at it is that Gratuity Scheme is a kind of savings scheme where your Council pays you €3,412 for each year of service (since 4 May 2000) on your retirement from the Council.**

**It is a straightforward scheme with a minimum of regulations.**

## **How do I qualify for the payment?**

**So long as you have two years' service you qualify simply by CEASING to be a member of your Council.**

**This may come about as follows:**

- Resign voluntarily (including by not contesting an election)**
- Lose your seat electorally**
- Be elected to either House of the Oireachtas or MEP**
- Be disqualified from holding office.**
- Suffer from a permanent infirmity\*\***

**\* Death\*\***

## **How many years are counted in adding up my gratuity?**

**1. Gratuity proper: €3,412 p/a for a max of 20 years service AFTER 4 May 2000**

**2. Ex Gratia: € 714 for a max of 20 years PRIOR to 4 May 2000**

**3. Ex Gratia € 476 for a further max of 20 years PRIOR to 2 above**

**In any case the combination of 1, 2 and 3 cannot exceed 40 years.**

**Indicative Gratuity  
Amounts Payable -  
based on service from  
time of election year to  
2019**

**Note: calculations subject  
to rounding of amounts &  
dates**

<b>Year elected to</b>	<b>2019</b>	<b>Gratuity Amount €</b>
	<b>2014</b>	<b>17,060</b>
	<b>2009</b>	<b>34,120</b>
	<b>2004</b>	<b>51,180</b>
	<b>1999</b>	<b>65,785</b>
	<b>1991</b>	<b>71,497</b>
	<b>1985</b>	<b>75,781</b>
	<b>1979</b>	<b>79,677</b>

**That's grand but what about taxation?**

**The Gratuity Scheme is taxed by the Revenue Commissioners as if it was a redundancy settlement for which special exemptions from normal taxation are in place.**

**1. First €10,000 of each payment is tax free**

**2. A further €765 is exempted for each full year of service.**

**3. In addition there may be a second €10,000 exempted if you have not – or will not – receive a lump sum under some other redundancy scheme.**

**To take an example: assuming you have ten years service as a Councillor and that you qualify for Exemptions 1 & 2 above your taxable amount will be worked as follows:**

**€10,000 plus (€765 x 10 years) = €17650 of your gratuity will be tax free.**

**Given that your gratuity after ten years will be €34,120 this means that €16,470 will be taxable (less than half).**

**Impact of 10,000 and 675 per year tax reliefs.**

**Gratuity at each step with Tax Free and Taxable components**

**USC also applies.**

**\* Seek professional advice if you have a complex tax situation!**

<b>Year elected to 2019</b>	<b>Gross Gratuity</b>	<b><i>Tax free amount</i></b>	<b>Taxable amount</b>
<b>2014</b>	<b>17,060</b>	<b><i>13,825</i></b>	<b>3,235</b>
<b>2009</b>	<b>34,120</b>	<b><i>17,650</i></b>	<b>16,470</b>
<b>2004</b>	<b>51,180</b>	<b><i>21,475</i></b>	<b>29,705</b>
<b>1999</b>	<b>65,785</b>	<b><i>23,500</i></b>	<b>42,285</b>
<b>1991</b>	<b>71,497</b>	<b><i>31,420</i></b>	<b>40,077</b>
<b>1985</b>	<b>75,781</b>	<b><i>36,010</i></b>	<b>39,771</b>
<b>1979</b>	<b>79,677</b>	<b><i>40,600</i></b>	<b>39,077</b>

## Any thing else I should know?

- If you had service in an urban council of any kind pre 2014 there are smaller sums for each year of service on such a council.
- If you had membership of a County Council and an urban council simultaneously you will not be paid for both but you will be paid the County Council rate (the higher of the two).
- If you are lucky enough to under 50 there is a catch – you will not be paid out the money until you reach the age of 50. However the sum used for calculation will be increased in line with public sector pay over that period.
- Otherwise it is a very straightforward scheme:
  - No contributions on your part
  - Payable no matter what your reason for vacating your seat
  - No restriction on contesting elections again!

## **For further information:**

- **Ask your Council to calculate the amount payable; the Council as the paying body will calculate the figure to the cent.**
- **If your tax circumstances are complex speak to an accountant.**

**Go raibh maith agaibh.**