



## **FURTHER REDUCTION IN PENSION ALLOWANCE**

Pensioners should beware of the impending drop in their pension allowance for 2007 in their *IRS* tax declaration. The deduction began falling after 2005 when it reached a peak of €8,283. In 2006, the adjustment tumbled to €7,500. This year will be even worse with the write-off shrinking to only €6,100. In 2008, a further reduction of €100 is scheduled to take place, dropping the tax benefit to an even €6,000. After a few years of “stability”, the allowance dropped to €4,100 in 2012.

The alleged purpose of the decline is to close the gap between deductions for working taxpayers and retirees. Prior to the changes after 2005, salaried employees could deduct only €3,237.41 while pensioners got more than two and one half times that amount. Since 2005, pensioners have gradually been losing ground, permitting workers to begin to catch up.

At the same time, larger pensions have also seen a reducing cap on their benefits. This allowance reduces progressively on pensions above €22 500 and is totally eliminated beyond €43 020.