

Pension and tax facts

For financial advisers only



On 1 October 2024, the Minister for Finance and Minister for Public Expenditure announced Budget 2025.

We've captured the relevant changes below in orange.

Revenue limits

Standard Fund Thresholds

Standard Fund Threshold	€2m*
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*Increasing in 2026. See Appendix on page 11

Lump sum thresholds

Maximum lifetime tax free lump sum (since December 2005)	€200,000
Pension lump sum taxed @ 20%	>€200,000 to ≤€500,000
Pension lump sum treated as income and taxed under PAYE system	>€500,000

Earnings for tax relief limits

Earnings limit for 2025	€115,000
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Age related contribution limits

% of net relevant earnings

Under 30	15%
30-39	20%
40-49	25%
50-54	30%
55-59	35%
60-75	40%

Imputed distribution

Age throughout 2025	ARF and vested PRSA where value is ≤ €2 million	ARF and vested PRSA where value is >€2 million
Under 61	Nil	Nil
61-70	4%	6%
71 and over	5%	6%

ARF – tax treatment on death		
Fund to	CAT	Income tax
Spouse's ARF	No	Yes [^]
Child under 21	Yes	No
Child over 21	No	30%
Others	Yes	Yes

[^]Income tax is only payable on drawdown.

PRSA – drawdown regime applicable from 27 March 2013	
Maximum lump sum	25%
Tax treatment on death	Same as ARF

Changes to PRSAs

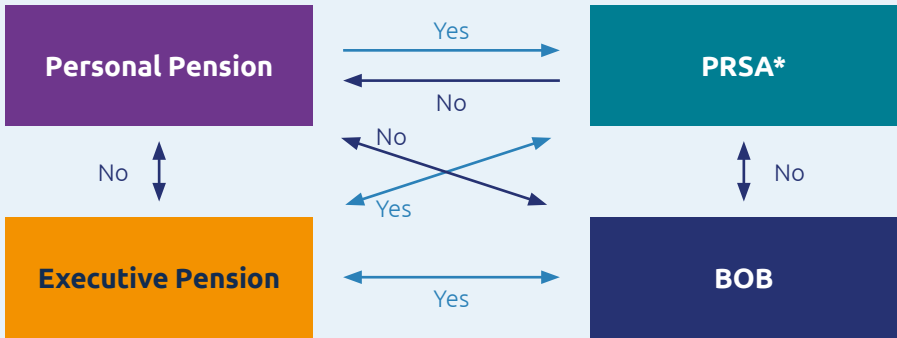
Withdrawals from a PRSA are permitted post age 75 making the PRSA a whole of life product. There is no longer a requirement to purchase an annuity/transfer to ARF. However, a PRSA must be retired/vested before age 75.

Employer contributions to a PRSA are no longer treated as benefit in kind (BIK).

An employer can contribute to an employee PRSA without taking into account the age-related tax relief contribution limits.

There is no limit on employer contributions to an employee's PRSA. However, the overall standard fund threshold for an individual of €2m applies.

Pension transfers



*PRSA transfer restrictions.

Transfers from occupational pension schemes to PRSAs can only be executed where:

- The scheme is being wound up or the individual is changing job and
- The transfer is less than €10,000.

If the transfer value is over €10,000 then a 'certificate of benefits comparison' is required. Please contact the Technical Solutions team for details of where and how this can be obtained. If the transferring scheme is being wound up, the requirement for a certificate is removed.

2025 tax rates

Rate	
Standard	20%
Higher	40%

Bands		Tax credits	
Single/widowed	€44,000	Single	€2,000
Married – 1 income	€53,000	Married	€4,000
Married – 2 incomes	€53,000 + increase (max €35,000)*	PAYE employee	€2,000
		Earned Income Tax Credit	€2,000
		Home Carer Credit	€1,950

*The increase is the lower of €35,000 or the spouse/civil partner's income of the lower earner. The increase is not transferable between spouses/civil partners.

State Pension (Contributory) maximum – 2025

Personal rate	€289.30 per week
Personal rate + qualifying adult both under age 66	€482.00 per week
Personal rate + qualifying adult both over age 66	€548.80 per week

DIRT	33%
Capital Gains Tax (since 5 December 2012) (the first €1,270 of an individual's annual gain is exempt)	33%
Capital Acquisitions Tax from 12 October 2016	33%
Corporation Tax for trading income (since 1 January 2003)	12.5%
Stamp Duty for residential property ≤ €1m	1%
Stamp Duty for residential property on balance between €1m and €1.5m	2%
Stamp Duty for non-residential property (from 9 October 2019)	7.5%
Stamp Duty for residential property on balance > €1.5m	6%

CAT thresholds 2 October 2024

Group	Beneficiary	Tax free amount*
A	A child (including adopted child, step-child and certain foster children) or minor child of a deceased child of the person giving the gift.	€400,000
B	A brother, sister, niece, nephew or lineal ancestor or lineal descendant of the person giving the gift.	€40,000
C	All other relationships, other than those mentioned in A or B.	€20,000

*CAT only applies to amounts over the relevant group threshold.
CAT is charged at 33% on gifts and inheritances.

Exit tax on gross savings and investment policies

Deducted every 8 years and from any withdrawal, surrender or death claim (also transfer of ownership).

Personal investors	41%
Corporate investors	25%

Event	Tax payable	Rate of tax	USC	PRSI	Reference	Notes
Annuity payment	Schedule E	Marginal	Yes	Yes		1, 7, 11
ARF distributed to child <21	CAT	33%	No	No	S784A (4) B	12
ARF distributed to child >21	Schedule D Case IV	30%	No	No	S784A (4) C	9
ARF distributed to stranger	Schedule E and CAT	Marginal/33%	Yes	Yes	S784A (4) A	2, 11, 12
ARF withdrawal (regular/ad hoc)	Schedule E	Marginal	Yes	Yes	S784A (3) A	1, 11, 13
ARF full encashment	Schedule E	Marginal	Yes	Yes	S784A (3) A	1, 11
Chargeable Excess	Schedule D Case IV	40%	No	No	S787R (1) A	3
Commutated pension on serious ill health (Death's Door Concession)	Schedule D Case IV	10%	No	No	S781	5
Imputed distribution	Schedule E	Marginal	Yes	Yes	S784A(3)	1, 11
Pension Lump Sum (>500,000)	Schedule E	Marginal	Yes	No	S790AA (3) A (ii)	11
Pension Lump Sum (between €200,000 and €500,000)	Schedule D Case IV	20%	No	No	S790AA (3) A (i)	6
Vested PRSA withdrawal (regular/ad hoc)	Schedule E	Marginal	Yes	Yes	S787G (1) A+B	1, 11, 13
Refund of contributions from PRSA worth less than €650	Exempt	n/a	No	No	S109 Pensions Act 1990	4
Refund of member contributions (within Vesting Period)	Schedule D Case IV	20%	No	No	S780	
Refund of contributions on death in service	Exempt	n/a	No	No	10.1 Revenue Pensions Manual	
Dual private/public sector arrangements encashment tax	Schedule D Case IV	Ring-fenced	Yes	No	S787TA	10
PRSAs transferring overseas	Schedule E	Marginal	Yes	Yes	S787G	1, 8, 11
Trivial Pension (<€30,000 fund from all pension sources)	Schedule E	Marginal	Yes	Yes	S781	1, 11
Trivial Pension (<€330 pa annuity)	Schedule D Case IV	10%	No	No	S781	

Notes

1. In the absence of tax credits, administrator deducts tax at higher rate
2. Subject to PAYE at deceased's marginal rate of income tax, PRSI and USC. Deducted by administrator/QFM before payment made. Net proceeds are subject to Inheritance Tax
3. The rate of tax applicable to chargeable excess is 40%. Must be disclosed and paid to Revenue within 3 months of the event
4. Taxation treatment is captured on pensionsauthority.ie. To qualify for the refund, the PRSA must not have received contributions for 2 years
5. Lump sum free of income tax, balance fund charged at 10%
6. Standard rate tax paid on a lump sum may be offset against chargeable excess tax (S787R (A)). This is the only exception where ring-fenced tax may be set against another liability
7. PRSI Class M applies to ALL annuity/pension payments. No PRSI liability
8. The charge to income tax set out in S787G is to be applied to any PRSA transferring out of the State
9. The rate of income tax to be applied in this instance is a ringfenced rate of 30%
10. This encashment is not treated as a Benefit Crystallisation Event for the purposes of chargeable excess tax legislation
11. Marginal rate tax is the highest rate of tax you pay, which could be 20% if your income is taxed at the standard rate or 40% at the higher rate
12. Capital Acquisitions Tax 33% (since 12/10/2016). The tax exempt thresholds range from €400,000 for gifts to children to €40,000 for gifts to relatives to €20,000 for gifts to anyone else
13. If you are aged under 66 we must deduct PRSI at Class S on all withdrawals from your ARF or Vested PRSA. The current rate is 4.1%.

If you are aged between 66 and 70 and born after 1 January 1958 you will continue to be liable for PRSI until such time as you are awarded the State Pension (Contributory) or reach age 70 whichever is earliest.

Remember

Laws and tax rules may change in the future. The information here is based on our understanding in October 2024. This guide is a brief summary. It doesn't cover all situations or circumstances. More information is available on **revenue.ie**

2025 PRSI and USC rates

With all the different rates of Pay Related Social Insurance (PRSI) and Universal Service Charge (USC), here's an employee and self-employed summary of the main classes to help you.

PRSI contributions rates below are as of 1 October 2024.

Age	Tax	Income from			
		Annuity	ARF	Employment	Self-employment
<50	USC	0.5%	0.5%	0.5%	0.5%
	PRSI	2% 3% 8% 0% (Class M)	2% 3% 8% 4.1% (Class S)	2% 3% 8% 4.1% (Class A)	2% 3% 8% 11% 4.1% (Class S)
50-60	USC	0.5%	0.5%	0.5%	0.5%
	PRSI	2% 3% 8% 0% (Class M)	2% 3% 8% 4.1% (Class S)	2% 3% 8% 4.1% (Class A)	2% 3% 8% 11% 4.1% (Class S)
60-65	USC	0.5%	0.5%	0.5%	0.5%
	PRSI	2% 3% 8% 0% (Class M)	2% 3% 8% 4.1% (Class S)	2% 3% 8% 4.1% (Class A)	2% 3% 8% 11% 4.1% (Class S)
66-69	USC	0.5%	0.5%	0.5%	0.5%
	PRSI	2% 3% 8% 0% (Class M)	2% 3% 8% 0% (Class M)	2% 3% 8% 0% (Class J)	2% 3% 8% 11% 0% (Class M)
≥70*	USC	0.5%	0.5%	0.5%	0.5%
	PRSI	2% 3% 8% 0% (Class M)	2% 3% 8% 0% (Class M)	2% 3% 8% 0% (Class J)	2% 3% 8% 11% 0% (Class M)

USC doesn't apply if total annual income ≤€13,000. For income more than this, the USC rates are:

Income	Universal Social Charge	
	Employees	Self-employed
€0 – €12,012	0.5%	0.5%
€12,013 to €27,382	2%	2%
€27,383 to €70,044	3%*	3%*
€70,045 to €100,000	8%*	8%*
>€100,000	8%*	11%*

*For those aged 70 years or over and for medical card holders the maximum rate is 2% where income does not exceed €60,000.

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Appendix – Standard Fund Threshold

The Standard Fund Threshold has been set at €2 million since 2014. The Minister for Finance has set out a multi-year plan to increase the Standard Fund Threshold on a phased basis by €200,000 per year beginning in 2026 until 2029 reaching €2.8 million and then converging the level of Standard Fund Threshold with the applicable level of wage growth.

An independent evaluation of the capitalisation factors used to value DB scheme benefits post 1 January 2014 has been recommended and new factors proposed. The report recommends that the factors be streamlined into 5-year age bands (e.g. one factor for ages 50 to 55 etc) and the use of different factors for pensions with/without indexation and for pensions with/without a spouses/dependants pension element.

This review and revised factors will be finalised in advance of the first Standard Fund Threshold increase on 1 January 2026. The Minister for Finance has set out a multi-year plan to increase the Standard Fund Threshold on a phased basis by €200,000 per year beginning in 2026 until 2029 reaching €2.8 million and then converging the level of Standard Fund Threshold with the applicable level of wage growth.

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Current Capitalisation Factors

Age	Factor	Age	Factor
50 (and below)	37	61	29
51	36	62	28
52	36	63	27
53	35	64	27
54	34	65	26
55	33	66	25
56	33	67	24
57	32	68	24
58	31	69	23
59	30	70+	22
60	30		

DC schemes

For DC type pension arrangements, the capital value of pension rights remain the same: the value of the fund.

DB schemes

All DB pension rights accrued up to 1 January 2014 and crystallised after that date will be valued at the point of drawdown for BCE purposes at the current capitalisation factor of 20.

All DB pension rights accrued after 1 January 2014 and crystallised after that date will be valued at the point of drawdown for BCE purposes using the appropriate age related valuation factor.

Where a DB pension is drawn down after 1 January 2014, part of which was accrued up to that date and part after that date, the calculation of the capital value will be split accordingly with the portion accrued up to 1 January capitalised using the current standard capitalisation factor of 20 and the portion accrued after that date capitalised using the appropriate age related valuation factor.

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