Tax Treatment of Approved Occupational Schemes

Chapter 15

This document should be read in conjunction with Part 30, Chapter 1 of the Taxes Consolidation Act 1997 (TCA).

Document last updated April 2024

Revenue
Cáin agus Custaim na hÉireann
Irish Tax and Customs

15.1 Taxation of occupational pensions

All pensions and annuities paid under any scheme which is approved, or being considered for approval, are chargeable to tax under Schedule E and PAYE should be operated on payment. This applies whether the pension or annuity is paid by the employer, by the administrator or by the life office (life assurance company) from which an annuity under the scheme has been purchased. The person paying the pension or annuity is responsible for operating PAYE and accounting for the tax.

Please refer to Chapter 25**:** Limit on Tax Relieved Pension Funds, as payment of benefits in excess of a specified monetary amount may trigger a tax charge.

15.2 Pensioners resident abroad

No general exemption from income tax is given by the Taxes Consolidation Act 1997 (TCA) to pensioners resident abroad. Exemption is granted where:

(a) the last ten years' service in respect of which the pension is paid was abroad,

or

(b) half the total service in respect of which the pension is paid and at least 10 of the last 20 years' service were both abroad.

Exemption may also be available under a double taxation agreement between Ireland and the country of residence. Where there is no exemption, relief may be due to Irish citizens and certain others resident abroad by virtue of section 1032 TCA.

15.3 Scheme investments

Income derived by an exempt approved scheme from investments or deposits held for the purposes of the scheme is exempt from income tax (section 774(3) TCA). This includes rental income received by a scheme which holds a residential property as an investment asset for the purposes of the scheme.

Under section 790F TCA, introduced in Finance (No. 2) Act 2023, an exempt approved scheme wishing to claim an exemption from income tax of rental income (under section 774(3) TCA) must register the tenancy with the Residential Tenancies Board. This requirement applies from 1 January 2024.

Where such a requirement applies –

a) Revenue may request by written notice that the person chargeable provide, within 30 days of such notice, evidence that the qualifying lease has been registered with the RTB, under the provisions of Part 7 of the Residential Tenancies Act 2004, and

b) a copy of an entry in respect of the published register provided under section 132 of the 2004 Act, by the person changeable, will be accepted by Revenue as evidence of this registration.

Exemption from income tax is also granted in respect of underwriting commissions chargeable to tax under Case IV of Schedule D and applied for the purposes of the scheme.

Section 608 TCA exempts from capital gains tax gains accruing from disposals of investments held by exempt approved schemes.

Exempt approved schemes are also exempted from Deposit Interest Retention Tax (DIRT) by section 256 TCA.

Dealings in financial futures and traded options by exempt approved schemes are deemed investments and therefore exempt from tax (sections 774(4) and 608 TCA).

15.4 Life office pension business

Sections 706 and 717 TCA enable part of the business of a life office to be treated as "pension business". When an exempt approved scheme applies funds as premiums on an insurance policy which qualifies for "pension business" treatment, income from the scheme investments qualifies for the tax exemptions detailed in paragraph 15.3 above.

15.5 Correspondence between policy and scheme liabilities

To qualify for pension business treatment, policies taken out by an exempt approved scheme must be so framed that the liabilities undertaken by the insurance company correspond with the liabilities against which the contract is intended to secure for the scheme (section 706 TCA). The policy need not secure the scheme against all liabilities, but the benefits it does provide must correspond with those payable under the rules of the scheme.

15.6 Refund of scheme surplus to employer

Section 782 TCA provides that a refund of a pension scheme surplus to an employer is taxable as a trading or professional receipt of the employer.