Pan-European Personal Pension Product (PEPP)

Pensions Manual - Chapter 31

This document should be read in conjunction with Part 30, Chapter 2D of the Taxes Consolidation Act 1997

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Note: This manual is currently subject to review and may not reflect up-to-date position. Most recent version.

Revenue
Cáin agus Custaim na hÉireann
Irish Tax and Customs

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31.1 Introduction

A Pan-European Personal Pension (PEPP) is a long-term personal pension product designed to assist people to save for their retirement. The Central Bank of Ireland is the Competent Authority in Ireland for PEPPs and authorises PEPP providers and products.[1] Revenue is responsible for ensuring that PEPP providers and products are compliant with the relevant tax legislation. Chapter 2D of Part 30 of the Taxes Consolidation Act (TCA) sets out the taxation measures for PEPPs.[2]

31.2 Tax relief

Tax relief is allowed against "relevant earnings'', which means earnings from a trade, profession, office or employment (section 787W TCA). As with other pension products, tax relief for contributions paid in respect of a PEPP is subject to two main limitations.

The first limitation, provided for in section 787Z TCA for PEPPs, is an age-related percentage limit of an individual's earnings in respect of the office or employment for the year for which the contributions are paid. The maximum amount of pension contributions in respect of which an individual may claim tax relief may not exceed the relevant age-related percentage of the individual's earnings in any year of assessment.

The age-related percentage limits are:

Under 30 years	15%
30-39 years	20%
40-49 years	25%
50-54 years	30%
55-60 years	35%
60 years or over	40%

A 30% limit applies below the age of 50 years to certain categories of professional sportspersons.[3]

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[1] PEPP Statutory Instrument (SI 435/2022) was published on 28 August 2022.
[2] Inserted by section 20 of Finance Act 2022
[3] Athletes, badminton players, boxers, cricketers, cyclists, footballers, golfers, jockeys, motor racing drivers, rugby players, squash players, swimmers and tennis players – section 787(8A)-(8C) and schedule 23A TCA.

Example 1

Robin earns a basic salary of €35,000 per annum and will be aged 50 years in 2025. As Robin is aged between 50 and 55 years in 2025, the maximum amount of pension contributions Robin may claim tax relief on based on the age-related percentage limit is calculated as follows:

€35,000 x 30% = €10,500 per annum.

The second limitation, provided for in section 790A TCA, is an overall cap of €115,000 on the amount of earnings that may be taken into account for tax relief purposes. This limit applies whether an individual is contributing to one or more than one pension product.

Where an individual is contributing solely to one or more PEPP the maximum amount of tax relievable contributions is the relevant age-related percentage of the lower of:

- the individual's net relevant earnings and
- the earnings limit.

Where an individual has two or more sources of income (for example, earnings from employment and profits from self-employment) and is making pension contributions to an occupational pension scheme or another personal pension product (such as a Retirement Annuity Contract (RAC) or a Personal Retirement Savings Account (PRSA)) and to a PEPP, the single aggregate earnings limit of €115,000 applies in determining the amount of tax relievable contributions.[4]

Example 2

Sam is a member of an occupational pension scheme with their employer, Company X. Sam is aged 49 years in 2025 and earns a basic salary of €50,000. Sam is also contributing €5,000 per year to a PEPP.

As Sam is aged between 40 and 49 years in 2025 their relevant age-related percentage limit is 25% of their net relevant earnings. Therefore Sam's maximum annual contribution available for tax relief is:

€50,000 x 25% = €12,500

Sam's contribution to their occupational pension scheme in 2025 is €50,000 x 10% = €5,000. This tax relief was applied for Sam through the net pay arrangement by their employer.

[4] Please refer to Chapter 26 for detailed information and examples on how the age-related and earnings limits are applied in respect of contributions to one or more pension products.

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Therefore, Sam can contribute up to a further €7,500 (that is, their maximum age related percentage limit of €12,500 minus their contributions to their occupational pension scheme of €5,000) to a PEPP. Therefore, Sam is entitled to claim tax relief on the full contribution they make to the PEPP in 2025.

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An individual who is not in pensionable employment is entitled to relief on contributions up to €1,525 even if the contribution exceeds the relevant age-related percentage limit.[5]

Where full relief cannot be given for a year of assessment for contributions paid in that year, the unrelieved amount may be carried forward to the next or succeeding years and treated as a qualifying contribution paid in subsequent years.

If a contribution is paid after the end of the year, but on or before 31 October of the following year, relief may be claimed in the previous year, provided an election to do so is made by the individual on or before 31 October of the following year. For example, an individual who pays a contribution on 1 February 2025 can claim relief for that contribution on their 2024 tax return provided they elect to do so before 31 October 2025.

Taxpayers who file and pay online via ROS or MyAccount may avail of the extended return filing and payment date to make an election and pay a contribution. As the payment of a qualifying contribution is a pre-condition to the availability of relief, an election cannot be made in advance of such a payment.

The date for making an election in respect of contributions paid in the year of retirement may be extended to 31 December of that year in certain circumstances (see Appendix III of the Revenue Pensions Manual).

Full details of PEPP contributions should be included on the annual Return of Income.

Tax relief for PEPP contributions is not transferable between spouses or civil partners.

The method of calculating the respective amounts of net relevant earnings for the purposes of relief for retirement annuities under section 787 TCA and of total income for chargeable annual payments to "descendants" under section 792(2) TCA, as described in Chapter 21.3, may also be applied to PEPPs, as it is with PRSAs, in the same circumstances.

[5] Section 787Z(2) TCA

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31.3 Employer Contributions and the Employer Limit

Finance Act 2024 introduced changes to the treatment of employer contributions to an employee's PEPP, by introducing an "employer limit" (as defined in s787V TCA).

The employer limit refers to the maximum amount an employer can contribute to an employee's PEPP, without the contribution being considered a benefit in kind (BIK) for the employee. This limit is 100% of the employee's emoluments[6] in the year of assessment. If the employee's emoluments are lower than the previous year for reasons such as unpaid leave (for example, unpaid maternity leave, parental leave or sick leave), the limit is based on the previous year's emoluments.

An exemption from BIK is provided for contributions made by an employer to an employee's PEPP, provided these contributions do not exceed the employer limit. Contributions above this limit are considered a BIK and are subject to tax.
The provision applies to employees and directors receiving contributions to their PEPP from their employer. This applies to any individual in pensionable employment where the employer makes contributions to a PEPP on their behalf.

Employers can deduct contributions to an employee's PEPP from their taxable profits, but only up to the employer limit. Contributions exceeding this limit are not deductible.

The amendments and provisions regarding the employer limit and BIK exemptions apply from 1 January 2025.

Key Changes from 1 January 2025:

- Employer contributions to an employee's PEPP up to the "employer limit" are exempt from the charge to tax on benefits in kind (BIKs), provided they do not exceed the "employer limit".
- Any amount of an employer's contribution to an employee's PEPP which exceeds the "employer limit" is taxable as a BIK of the employee.
- An employer's contribution to an employee's PEPP up to the "employer limit" is deductible as an expense for the purposes of calculating their taxable profits.
- Any amount of any employer contributions which exceeds the "employer limit" are not deductible for tax purposes by the employer.
- The "employer limit" is 100% of the employee's salary for the year; or, where the employee has unpaid leave during the year, 100% of the employee's salary for the previous year.

[6] Emoluments refer to all forms of remuneration received by an employee, including salary, bonuses, and other benefits.

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31.4 PRSI and Universal Social Charge

There is no relief from PRSI or the Universal Social Charge (USC) for contributions made to PEPPs.

31.5 Benefits on retirement

On the first occasion that benefits are taken from a PEPP, up to 25% of the fund may be taken as a tax-free retirement lump sum[7] (section 787AA(3)(a) TCA). The balance of the fund may be:

- used to purchase an annuity,
- taken in cash (subject to income tax under Schedule E),
- invested in an Approved Retirement Fund (ARF),
- retained in the PEPP (a PEPP from which retirement benefits have not commenced by the PEPP saver's 75th birthday is referred to as a vested PEPP).

Benefits may be taken when the individual reaches age 60 years[8]. There is a facility to take benefits in stages, but a retirement lump sum may only be taken on the first occasion that benefits are taken. Benefits from a PEPP must be taken on or before age 75 years. Please refer to paragraph 31.14 for the treatment which applies where PEPP benefits do not commence on or before age 75 years.

An individual who retains the balance of a PEPP (after payment of the tax-free retirement lump sum) in the PEPP, rather than using it to purchase an annuity or transfer it into an ARF, may then draw down from that balance (subject to tax) as and when they choose.

Subject to certain exceptions (see below), amounts drawn down from a vested PEPP are treated as emoluments and are subject to tax under Schedule E, at the individual's marginal rate. Imputed withdrawals under section 790D TCA (see paragraph 31.10 and Chapter 28) are subject to tax in the same manner as actual withdrawals.

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[7] See Chapter 27 for details of the extent to which retirement lump sums may be taken tax free.

[8] Benefits may be taken at any age, if an individual is permanently incapacitated through infirmity from carrying on their occupation (see Chapter 9). In addition, retirement from age 50 may be allowed in the case of employed contributors and of individuals whose occupation is one from which people customarily retire before age 60.

In addition, withdrawals from a PEPP are deemed to occur when assets in a PEPP –

- cease to be PEPP assets,
- cease to be beneficially owned by the PEPP owner, or
- are used in connection with any transaction that would, if they were assets of an ARF, be regarded as giving rise to a distribution from the ARF (see paragraph 23.8).

Amounts withdrawn from a PEPP in the following circumstances are not treated as taxable emoluments of the individual under section 787AA TCA:

- a tax-free retirement lump sum paid when PEPP assets are first made available to the individual, which does not exceed 25%;
- the transfer of PEPP assets to an ARF in accordance with section 787AB TCA;
- the transfer of PEPP assets to the individual's personal representative in accordance with section 787AA(4)(d);
- an amount made available by a PEPP provider to meet a tax charge arising on a chargeable excess arising in connection with the related PEPP (see Chapter 25);
- an amount made available from a vested PEPP (within the meaning of section 790D(1) TCA) for the purpose of:
    - the reimbursement, in whole or in part, of a PEPP provider for tax paid by that administrator on a chargeable excess relating to the PEPP owner, or
    - the payment by a PEPP provider of a non-member spouse's or civil partner's appropriate share of the tax charged on a chargeable excess, or part of it (for which the administrator is made jointly liable with the non-member) in circumstances where a benefit crystallisation event giving rise to tax occurs in respect of retirement benefits which are the subject of a pension adjustment order.

Chapter 25 covers the "limit of tax relieved pension funds". Payment of benefits in excess of the Standard Fund Threshold or Personal Fund Threshold will trigger a tax charge.

Chapter 7.4 outlines the circumstances in which the practice relating to the commutation of trivial pensions may be extended to holders of PEPPs.

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31.6 Death benefits

Where an individual dies before benefits are taken, the fund passes to the estate of the deceased. There is no Income Tax charge but the normal Inheritance Tax (Capital Acquisitions Tax) provisions apply.

If death occurs after the drawdown of benefits has commenced, or is deemed to have commenced (see paragraph 24.13), the taxation treatment of the fund is similar to that which applies to an ARF (see Chapter 23.10).

31.7 Interaction with other pension arrangements

As noted in paragraph 31.2, the tax relief limits apply to the aggregate of all personal contributions made by an individual to a PEPP, PRSA, RAC and/or an occupational pension scheme. Chapter 26 provides detailed information and examples on how the age-related and earnings limits are applied to contributions to one or more pension products.

Transfers of funds to and from other Revenue approved pension products are not available to a PEPP. See paragraph 31.8 below for further details.

31.8 Vested PEPPs

As stated in paragraph 31.5, instead of purchasing an annuity or pension, a PEPP owner may choose on retirement to take the balance of their pension fund in cash (subject to income tax under Schedule E); invest it in an ARF, as detailed in Chapter 23 ; or retain the balance of the PEPP fund in the PEPP. Section 790D(1) TCA defines a "vested PEPP" as a PEPP whose assets have been made available to or paid to the PEPP contributor another person, or a PEPP where the contributor has reached the age of 75 years without the assets being made available or paid to the contributor or another person, with the exception of payments into an ARF, to the personal representatives of the PEPP contributor, or paid to a PEPP provider to discharge a liability under Chapter 2C of Part 30 TCA (that is, a liability to excess lump sum tax or chargeable excess tax).

31.9 Transfers between pension products

Transfers from a PEPP to other personal pension products or an occupational pension scheme are not permitted. Transfers from other personal pension products or an occupational pension scheme to a PEPP are also prohibited.

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31.10 Migrant Member Relief and PEPP Sub-accounts

In cases where a PEPP saver becomes tax resident in Ireland and the PEPP provider does not offer a sub-account option in Ireland, the PEPP saver may claim relief on contributions made to their last opened PEPP sub-account under Migrant Member Relief (See Chapter 17 for further details). This allows an individual in this position to claim tax relief on contributions to their last held sub-account, subject to the age and salary related limitations on tax relieved contributions. Such claims should be made using the Migrant Member Relief claim form and submitted via MyAccount.

A person may hold PEPP sub-accounts in multiple Member States. A drawdown from a sub-account held in another Member State is taxable in Ireland as a foreign pension, subject to the conditions of the relevant Double Taxation Agreement. Lump sums from a PEPP sub-account in another Member State are subject to section 200A TCA and the rules set out in TDM Part 07-01-09A for lump sums from a foreign pension arrangement.

31.11 Imputed distributions

Section 790D TCA provides for imputed distributions from ARFs (where the ARF option is exercised), vested PRSAs and vested PEPPs on a composite basis. Chapter 28 provides details of this regime.

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31.12 Non-residents and vested PEPPs

PAYE Exclusion Orders

Income and assets retained in a vested PEPP are beneficially owned by the PEPP owner. Withdrawals (including deemed withdrawals) from vested PEPPs are treated and taxed as emoluments under Schedule E regardless of the residence status of the individual.

As with payments from an ARF, withdrawals from vested PEPPs are not payments of pension and Revenue does not issue PAYE exclusion orders to PEPP owners in respect of such withdrawals where the PEPP owner is not resident in the State.

PAYE Exclusion Orders are also not issued where an individual takes the balance of their PEPP as a taxable lump sum.

Interaction with Double Taxation Agreements

The treatment of ARF distributions (see Chapter 23.15) also applies to withdrawals from vested PEPPs.

31.13 Anti-avoidance

Section 787AA (5) TCA states:

> Without prejudice to the generality of subsection (4), the circumstances in which a PEPP provider shall, for the purposes of this Chapter, be treated as making the assets of a PEPP (including a vested PEPP within the meaning of section 790D(1)) available to an individual shall include the use of those assets in connection with any transaction which would, if the assets were assets of an approved retirement fund, be regarded under section 784A as giving rise to a distribution for the purposes of that section and the amount to be regarded as made available shall be calculated in accordance with that section.

This means that linking a PEPP (or vested PEPP) to certain transactions (as outlined in section 784A(1B) TCA) will trigger a tax charge. The transactions are the same as those which are deemed to be a distribution from an ARF which are detailed in Chapter 23.8.

31.14 Pension adjustment orders

Where a pension adjustment order (PAO) is in place and a former spouse's or civil partner's share of chargeable excess tax arising on a benefit crystallisation event is to be recovered from a vested PEPP which is beneficially owned by that former spouse or civil partner, section 787Q(5A) TCA provides that the PEPP provider is entitled to dispose of or appropriate such assets of the vested PEPP as are required to meet the amount of the tax due.

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A disposal or appropriation of assets in a vested PEPP in these circumstances does not give rise to a charge to income tax under section 787AA(1) TCA.

Chapter 25 provides additional information on PAOs and their interaction with the Standard Fund Threshold and Chargeable Excess Tax regime.

31.15 Retirement benefits not taken on or before age 75 years

A PEPP from which retirement benefits have not commenced on or before the date of the owner's 75th birthday is treated as becoming a vested PEPP (within the meaning of section 790D(1) TCA) on that date. A consequence of a PEPP vesting in these circumstances is that the individual cannot access the PEPP assets in any form from the date of their 75th birthday.

The vesting of a PEPP in these circumstances is a "benefit crystallisation event" for the purposes of Part 30, Chapter 2C TCA (see Chapter 25). In addition, such vested PEPPs are subject to the imputed distribution regime (see paragraph 31.10) and the death-related provisions which apply to vested PEPPs (see paragraph 31.5).

31.16 Non-established PEPP provider

Where a PEPP provider is not established in the State, they must enter into an enforceable contract with Revenue to meet all of the duties and obligations imposed by the PEPP Regulation, Chapter 2C and Chapter 2D of Part 30 TCA and section 125B of the Stamp Duties Consolidation Act 1999, or appoint a person resident in the State to carry out those duties. Any contract between Revenue and a PEPP provider is to be governed by the laws of the State and the courts of Ireland are to have exclusive jurisdiction in determining any dispute arising under such contracts. Where a PEPP provider opts to appoint a resident agent to discharge the duties and obligations, the agent's identity and the fact that they have been appointed must be notified to Revenue.

31.17 Exemption from income tax of rental income by PEPPs in possession of a residential property

Section 787AC(1) TCA provides that a PEPP is exempt from income tax in respect of income derived from investments or deposits to a PEPP, once they are held for the purposes of the PEPP. A PEPP may acquire a residential property as an investment asset for the purposes of the scheme. Where a PEPP is in receipt of rental income from such as property, the scheme may claim an exemption on income tax on this rental income.

Finance (No. 2) Act 2023 inserted a new section 790F into Part 30 TCA which provides that, from 1 January 2024, this exemption is dependent on the tenancy being registered with the Residential Tenancies Board (RTB), under the requirements of the Residential Tenancies Act 2004.

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Where such a requirement applies, Revenue may request, by written notice, the PEPP provider to give, within 30 days, evidence that the qualifying lease has been registered with the RTB, under the provisions of Part 7 of the Residential Tenancies Act 2004. A copy of an entry by the PEPP provider in the published register (provided for under section 132 of the 2004 Act) will be accepted by Revenue as evidence of this registration.

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