

Personal Retirement Savings Accounts

Pensions Manual - Chapter 24

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

Document last updated April 2024

Table of Contents

| | |
|--|----|
| 24.1 Introduction | 3 |
| 24.3 Contributions by Employers..... | 6 |
| 24.4 PRSI and Universal Social Charge..... | 6 |
| 24.5 Benefits on retirement..... | 6 |
| 24.6 Death benefits | 9 |
| 24.7 Interaction with other pension arrangements | 9 |
| 24.8 Vested PRSAs, AMRFs and “ring-fenced” amounts | 9 |
| 24.9 Transfers | 10 |
| 24.10 Imputed distributions | 11 |
| 24.11 Non-residents and vested PRSAs | 12 |
| 24.12 Anti-avoidance..... | 12 |
| 24.13 Pension adjustment orders..... | 13 |
| 24.14 Retirement benefits not taken on or before age 75 years | 13 |
| 24.15 Exemption from income tax of rental income by PRSAs in possession of a residential property – RTB registration | 13 |

24.1 Introduction

A Personal Retirement Savings Account (PRSA) is a long-term savings account to help people save for their retirement. PRSA products are approved jointly by Revenue and the Pensions Authority.

Anyone may contribute to a PRSA but there is not an automatic entitlement to tax relief.

24.2 Tax relief for PRSA contributions

Tax relief for contributions by individuals is allowed against “relevant earnings”, which means earnings from a trade, profession, office or employment (section 787B Taxes Consolidation Act 1997 (TCA)). However, an individual who is a member of an approved pension scheme or a statutory scheme (other than a scheme which is limited to the following benefits – death in service gratuity, pension to surviving spouse, civil partner, children or dependants) may, in relation to their income from the office or employment, only claim relief for additional voluntary contributions (AVCs) to a PRSA.

As with other pension products, tax relief for contributions into PRSAs is subject to two main limitations.

The first, provided for in section 787E TCA, 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 | 15% |
| 30-39 | 20% |
| 40-49 | 25% |
| 50-54 | 30% |
| 55-60 | 35% |
| 60 or over | 40% |

A 30% limit applies below the age of 50 years to certain categories of professional sportspersons.¹

Example 1

Lindsay earns a basic salary of €35,000 per annum. They will be aged 50 in 2023. The maximum amount of pension contributions Lindsay may claim tax relief on based on their age-related percentage limit is calculated as follows:

$$€35,000 \times 30\% = €10,500 \text{ per annum.}$$

The second limitation, provided for in section 790A TCA, is overall cap of €115,000 on 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 PRSAs 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 and to a PRSA, a retirement annuity contract (RAC) and/or a Pan-European Personal Pension Product (PEPP) the single aggregate earnings limit of €115,000 applies in determining the amount of tax relievable contributions.²

Example 2

Robin is a member of an occupational pension scheme with their employer. They are aged 52 in 2022 and earn a basic salary of €50,000 per year. They are also eligible to contribute to a AVC into their employer's pension scheme.

Robin's maximum annual contribution available for tax relief is:

$$€50,000 \times 30\% = 15,000$$

¹ 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.

² 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.

Robin's contribution to their occupational pension scheme in 2022 was $10\% \times €50,000 = €5,000$. This was offset for Robin through the net pay arrangement with their employer.

Therefore, Robin can contribute up to a further €10,000 (€15,000 tax relief limit minus their normal contributions of €5,000) in AVCs and receive tax relief against their remuneration through payroll in 2022.

Where contributions are paid to a PRSA for AVC purposes, an individual must take account of any relief already granted under the net pay arrangement in respect of their main scheme contributions when calculating relief due.

Paragraph 24.7 outlines the position where PRSA contributions are made at the same time as contributions to other pension arrangements.

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 (section 787E(4) TCA). This does not apply in the case of contributions to a PRSA for AVC purposes.

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 for the previous year provided an election to do so is made by the individual on or before 31 October of the following year. 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 PRSA contributions should be included on the annual Return of Income. Employees contributing to an AVC PRSA may be given tax relief via the net pay arrangement, as is the case for AVCs to the main scheme.

Tax relief for PRSA 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 PRSAs in the same circumstances.

24.3 Contributions by Employers

Prior to the passing of Finance Act 2022 on 15th December 2022, employer contributions to an employee's PRSA were treated as a taxable Benefit-in-Kind (BIK) (section 118(5) TCA). Contributions made by an employer to an employee's PRSA were aggregated with employee contributions for the purposes of calculating the maximum tax relieved contribution. This meant no additional tax charge applied if the combined employer and employee contribution was below the age-related percentage limit for the individual

This treatment was abolished in Finance Act 2022. Now, employer contributions to an employee's PRSA are not aggregated with employee contributions for the purposes of calculating the maximum tax relieved contributions, and employer contributions are not subject to a BIK charge.

There is no limit on employer contributions to an employee's PRSA. However, an individual's pension savings are subject to the overall standard fund threshold (SFT) of €2m; amounts in excess of the SFT are subject to chargeable excess tax, currently 40% (see Chapter 25 and Part 30 Chapter 2C TCA).

Sponsored Superannuation Scheme

A "sponsored superannuation scheme" is defined in section 783(1)(a) TCA as "a scheme or arrangement relating to service in particular offices or employments and having for its object or one of its objects the making of provisions in respect of persons' service in those offices or employments against (i) future retirement or partial retirement".

Where an employer is contributing to a PRSA on behalf of an employee or director, the PRSA is deemed to be an "arrangement" within the definition of a "sponsored superannuation scheme". An employee or director in that position is therefore deemed to be in "pensionable employment".

24.4 PRSI and Universal Social Charge

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

24.5 Benefits on retirement

On the first occasion that benefits are taken from a PRSA, up to 25% of the fund may be taken as a tax-free retirement lump sum³ (section 787G(3)(a) TCA). The balance of the fund may be:

- used to purchase an annuity, or
- taken in cash (subject to income tax under Schedule E), or
- invested in an Approved Retirement Fund (ARF)⁴, or
- retained in the PRSA (a PRSA from which retirement benefits have commenced is referred to as a vested PRSA).

Benefits may be taken when the individual reaches age 60⁵. 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. An individual who retains the balance of a PRSA (after payment of the tax-free retirement lump sum) in the PRSA, rather than using it to purchase an annuity or transfer it into an ARF, may then draw down from that balance as and when they choose.

From the passing of Finance (No 2) Act 2023, there is no longer an upper age limit on drawdowns from a PRSA. Benefits may be taken from age 75 and beyond, with drawdowns being treated as emoluments and subject to tax under Schedule E at the individual's marginal rate. A PRSA is still deemed to vest when the beneficiary reaches age 75. Please refer to **paragraph 24.14** for the treatment that is applied to a vested PRSA.

Benefits from a PRSA must be taken on or before age 75. Please refer to **paragraph 24.14** for the treatment which applies where PRSA benefits do not commence on or before age 75.

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

Subject to certain exceptions (see below), amounts drawn down from a vested PRSA are treated as emoluments and are subject to tax under Schedule E at the individual's

³ See [Chapter 27](#) for details of the extent to which retirement lump sums may be taken tax free.

⁴ Section 14 Finance Act 2021 removed the previous AMRF investment requirement on PRSA benefits being taken on retirement.

⁵ 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.

marginal rate. Imputed withdrawals under section 790D TCA (see **paragraph 24.8** and [Chapter 28](#)) are subject to tax in the same manner as actual withdrawals.

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

- cease to be PRSA assets,
- cease to be beneficially owned by the PRSA 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 PRSA in the following circumstances are not treated as taxable emoluments of the individual under section 787G TCA:

- a tax-free retirement lump sum paid when PRSA assets are first made available to the individual, which does not exceed 25% of the fund or, in the case of an AVC PRSA, the amount that may be paid by way of lump sum under section 772(3)(f) TCA;
- the transfer of PRSA assets to an ARF;
- the transfer of PRSA assets to the individual's personal representative in accordance with section 787K(1)(c)(iii) TCA;
- where a tax-free lump sum has not been paid from a PRSA, the transfer of assets to another PRSA in the individual's name or to an approved scheme or to a statutory scheme of which they are a member;
- an amount made available by a PRSA administrator to meet a tax charge arising on a chargeable excess arising in connection with the related PRSA (see [Chapter 25](#));
- an amount made available from a vested PRSA (within the meaning of section 790D(1) TCA) for the purpose of:
 - the reimbursement, in whole or in part, of a PRSA administrator for tax paid by that administrator on a chargeable excess relating to the PRSA owner, or
 - the payment by a PRSA administrator of a non-member spouse 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 retirements benefits which are the subject of a pension adjustment order.

[Chapter 25](#) covers the “limit of tax relieved pension funds” as 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 PRSAs.

24.6 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 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 23.11](#)) .

24.7 Interaction with other pension arrangements

As noted in paragraph 24.2, the tax relief limits apply to the aggregate of all personal contributions made by an individual to a PRSA, Retirement Annuity Contract (RAC), Pan-European Personal Pension Product (PEPP) 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.

An individual who is a member of a pension scheme may only get tax relief in respect of a PRSA which is linked to that scheme. A PRSA which is used as an AVC is treated in the same manner as any other AVC. The total pension and PRSA contributions must be limited to the amount required to provide maximum benefits, as set out in [Chapter 6](#).

24.8 Vested PRSAs, AMRFs and “ring-fenced” amounts

As stated in **paragraph 24.5**, a PRSA owner may choose on retirement, rather than purchase an annuity or pension, the option to take the balance of their pension fund in cash (subject to income tax under Schedule E) or invest it in an ARF, detailed in [Chapter 23](#) (the ARF options) or retain the balance of the PRSA fund in the PRSA.

AMRF requirement up to Finance Act 2021

Prior to 21 December 2021, where an individual had guaranteed annual pension income of at least €12,700 any Approved Minimum Retirement Fund (AMRF) immediately becomes an ARF and any ring-fenced amounts⁶ retained in vested PRSAs⁷ immediately become non-ring-fenced⁸ amounts.

Where an individual did not have guaranteed annual pension income of €12,700 but had originally transferred more than €63,500 to an AMRF or had retained ring-fenced amounts in vested PRSAs of more than €63,500, the excess above €63,500 immediately becomes an ARF, or as the case may be, a non-ring-fenced amount or amounts.

Finance Act 2021 removed the specified income requirement for individuals exercising an ARF option and made changes to AMRF and PRSA legislation.⁹ Any AMRFs immediately became ARFs on 1 January 2022.

The changes made in relation to PRSAs were -

- the removal of ring-fenced amounts in relation to a vested PRSA,
- all funds in a vested PRSA became non-ring-fenced amounts, and
- the PRSA administrator can make the amount or value of the assets in the vested PRSA available to, or pay to, the PRSA contributor or to any other person.

24.9 Transfers

Transfers may be made from one PRSA to another PRSA and from a PRSA to an occupational pension scheme.

⁶ A ring-fenced amount, “in relation to a vested PRSA, means an amount retained within the vested PRSA by the PRSA administrator equivalent to the amount which the PRSA administrator would, if an option had been exercised in accordance with section 787H(1) of the Principal Act [the TCA], have had to transfer to an approved minimum retirement fund in accordance with section 784C and by virtue of section 787H(3) of that Act” (section 17(6) Finance Act 2013). This requirement was removed by section 14 Finance Act 2021.

⁷ A vested PRSA “means a Personal Retirement Savings Account in respect of which assets have first been made available to, or paid to, the contributor by the PRSA administrator on or after 6 February 2011, and the term “vesting of a PRSA” shall be construed accordingly” (Ibid).

⁸ A non-ring-fenced amount, “in relation to a vested PRSA, means the amount or value of assets in the vested PRSA that the PRSA administrator can make available to, or pay to, the PRSA contributor or to any other person” (Ibid).

⁹ The legislative changes to PRSAs came into effect on 21 December 2021 by section 14 Finance Act 2021.

Transfers may be made from an RAC to a PRSA. However, transfers from a PRSA to an RAC are prohibited.

Transfers from a PRSA to a PEPP or from a PEPP to a PRSA are also prohibited.

Transfers may be made from an occupational pension scheme to a PRSA where the scheme is being wound up or the individual is changing employment (section 772(3D) TCA).¹⁰ See [Chapter 13.2](#) for further details on transfer payments from an occupational pension scheme.

The value of AVCs may be transferred to a PRSA at any time.

Where an individual is entitled to a refund of contributions from an occupational scheme, the refund is taxed at the standard rate. However, the refund may be transferred to a PRSA without this tax charge.

Transfers to or from a “buy-out bond” are prohibited.

Only bona fide transfers are acceptable. The use of certain transfer arrangements relating to PRSAs to circumvent Revenue rules on the tax treatment of retirement benefits – for example, by transferring payments to the UK and back to Ireland - are not permissible. A PRSA contributor who directs the PRSA provider to make a payment to, or transfer assets to, an arrangement for the provision of retirement benefits outside the State (an “overseas arrangement”) under the provisions of the Occupational Pensions Schemes and Personal Retirement Savings Accounts (Overseas Transfer Payments) Regulations 2003 (S.I. No. 716 of 2003) must, prior to any transfer, sign a declaration to the effect that the transfer conforms to the requirements of the regulations and Revenue pension rules, is for bona fide reasons and is not primarily for the purpose of circumventing pension tax legislation and Revenue rules.

24.10 Imputed distributions

For 2012 and subsequent years, section 790D TCA provides for imputed distributions for both ARFs and vested PRSAs on a composite basis. [Chapter 28](#) provides details of this regime.¹¹

¹⁰ Previously, an individual could only transfer from an occupational pension scheme to a PRSA in cases where the scheme was being wound up or the individual was changing employment if they had been a member of the scheme for 15 years or less. The requirement for the individual to have been a member of the scheme for 15 years or less was removed by Section 13 Finance Act 2021.

¹¹ Vested PRSAs were not subject to imputed distributions for the year of assessment 2011 and prior years.

24.11 Non-residents and vested PRSAs

PAYE Exclusion Orders

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

As with payments from an ARF or previously from an AMRF (see Chapter 23) Revenue does not issue PAYE exclusion orders to PRSA owners in respect of such withdrawals where the PRSA owner is not resident in the State.

PAYE Exclusion Orders are also not issued where an individual takes the balance of their PRSA as a taxable lump sum, having met the specified income requirements (see paragraph 24.8).

Interaction with Double Taxation Agreements

The treatment of ARF distributions (see [Chapter 23.16](#)) also applies from 22 December 2017 to withdrawals from vested PRSAs.

24.12 Anti-avoidance

Section 787G (4A) TCA states:

Without prejudice to the generality of subsection (4), the circumstances in which a PRSA administrator shall, for the purposes of this Chapter, be treated as making the assets of a PRSA (including a vested PRSA 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 PRSA (including a vested PRSA) to certain transactions, including the type of arrangement which is the subject of section 784A(1B)(h) 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 23.9](#).

24.13 Pension adjustment orders

In situations involving pension adjustment orders (PAOs), where a former spouse's or partner's share of chargeable excess tax arising on a benefit crystallisation event is to be recovered from a vested PRSA which is beneficially owned by that former spouse or partner, section 787Q(5A) TCA provides that the PRSA administrator is entitled to dispose of or appropriate such assets of the vested PRSA as are required to meet the amount of the tax due.

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

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

24.14 Retirement benefits not taken on or before age 75 years

A PRSA from which retirement benefits have not commenced on or before the date of the owner's 75th birthday is treated as becoming a vested PRSA (within the meaning of section 790D TCA) on that date. Where the individual was aged 75 years before 25 December 2016, the PRSA is deemed to vest on 25 December 2016. From the passing of Finance (No 2) Act 2023, the beneficiary maintains full access to their fund after it has vested. PRSA holders may continue to drawdown benefits after age 75 years as they see fit. The drawdowns are treated as emoluments and are subject to tax under Schedule E at the individual's marginal rate.

The vesting of a PRSA in these circumstances is a "benefit crystallisation event" for the purposes of Part 30, Chapter 2C, TCA (see [Chapter 25](#)). In addition, such vested PRSAs are subject to the imputed distribution regime (see **paragraph 24.10**) and the death-related provisions which apply to vested PRSAs (see **paragraph 24.6**).

24.15 Exemption from income tax of rental income by PRSAs in possession of a residential property – RTB registration

A PRSA is exempt from income tax in respect of income derived from investments or deposits to a PRSA, once they are held for the purposes of the PRSA. This exemption is provided for in section 787I(1) TCA.

A PRSA may acquire a residential property as an investment asset for the purposes of the scheme. Where a PRSA 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 introduced an amendment to this exemption by the insertion of a new section 790F into Part 30 TCA. This section provides that, from 1 January 2024, such an exemption is dependent on the registration of the tenancy with the Residential Tenancy Board (RTB), under the requirements of Part 7 of the Residential Tenancies Act 2004.

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 chargeable, will be accepted by Revenue as evidence of this registration.