

Dual Private/Public Pension Scheme Encashment Option

Chapter 29

This document should be read in conjunction with section 787TA Taxes Consolidation Act 1997 (TCA)

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Table of Contents

1. Introduction	3
2. Who qualifies for the encashment option?.....	3
3. Retirement on grounds of ill-health.....	4
4. Notifying Revenue.....	4
5. Late notifications.....	5
6. Exercising the option.....	5
7. Deduction and remittance of tax	5
8. Miscellaneous.....	6
9. Further Information	6

1. Introduction

Section 787TA Taxes Consolidation Act 1997 (TCA) provides for an encashment option, with effect from 8 February 2012, for certain individuals with significant savings in both private sector and public sector pension Or1@1th1708n schemes.

Where the aggregated capital value of an individual's pension benefits at retirement from private sector and public sector pension arrangements exceeds the standard fund threshold (SFT) of €2 million¹ or the individual's personal fund threshold (PFT)², if applicable, the amount over the threshold is called a "chargeable excess". This chargeable excess is taxable at the higher rate of income tax for the year in which a "benefit crystallisation event" (BCE) occurs³. The higher rate of income tax is 40% since the tax year 2015. There are further tax implications when the remaining excess is drawn down as a pension. Section 787TA TCA allows an individual in this position a once-off opportunity to encash their private pension rights, in whole or in part, from age 60 (or earlier, where retirement is due to ill health) with a view to eliminating or minimising the chargeable excess that would otherwise arise when the public sector pension crystallises.

2. Who qualifies for the encashment option?

To qualify for the encashment option an individual must be a "relevant individual", as defined in section 787TA(1) TCA, on 8 February 2012. That means the individual must either:

- be a member of at least one private sector pension scheme prior to 8 February 2012, where at least one benefit crystallisation event has occurred in respect of the scheme between 7 December 2005 and 7 February 2012, and
- be a member of at least one public sector scheme.

or

- be a member of at least one private sector scheme, or becomes a member after 8 February 2012, and become a member of at least one public sector scheme.

¹ An SFT of €2 million has applied since 2014. Finance Act 2024 provided that the SFT will increase to €2.2 million in 2026, €2.4 million in 2027, €2.6 million in 2028 and €2.8 million in 2029. In 2030, the SFT will be adjusted to converge with the growth in average weekly earnings as reported in the CSO's Earnings, Hours, and Employment Costs Survey. For 2031 and future years, the SFT will be the greater of the previous year's SFT, or an threshold increased to take account of the growth of average weekly earnings over the previous year.

² The PFT may be a maximum of €2.3 million.

³ Instances where a BCE occurs are outlined in Paragraph 2, Schedule 23B, TCA – see also Paragraph 4 of [Chapter 25](#) of the Revenue Pensions Manual.

In both instances, the individual must remain an active member of their public sector scheme until their retirement date (that is, on reaching age 60 years or later). This means they must continue in public sector employment and accrue pension benefits until their retirement.

In addition, the overall capital value of the individual's entitlements under their private sector and public sector pension schemes must exceed the SFT or the PFT as of their expected date of retirement from the public sector. The individual's public sector pension entitlements must also be crystallised last, after all private sector benefits have been crystallised.

The encashment option can be exercised on one occasion only, which must be on or before the individual's retirement date from the public sector and on or after the individual has reached 60 years of age. Once it is exercised it cannot be reversed. If the individual has a number of private pension schemes they wish to encash, the option must be exercised on the same date in respect of each of the private sector schemes.

3. Retirement on grounds of ill-health

An individual retiring on grounds of ill-health before age 60 can also avail of the encashment option on their retirement date.

4. Notifying Revenue

An individual must notify Revenue of their intention to exercise the encashment option at least three months before the proposed date of retirement from the public sector scheme (section 787TA(4) TCA) and provide the following information:

- full name, address and PPS number;
- an estimate of the value of the accrued pension rights to be encashed;
- particulars of the private sector scheme(s) in respect of which the encashment option is to be exercised;
- the name, address and telephone number of the administrator of each such scheme; and
- such other information as Revenue may require for the purposes of section 787TA TCA.

The notification must include a declaration to the effect that the notification is correct and complete (section 787TA(5) TCA). The notification should be submitted to Revenue via MyEnquiries, or by written notice to the following address:

Office of the Revenue Commissioners
Large Cases - High Wealth Individuals Division
Pensions Branch
Castle View
52-57 South Great George's Street
Dublin 2
D02 HF50

5. Late notifications

A notification received by Revenue less than three months before retirement can be treated as valid if Revenue accepts that, in the circumstances, the failure to meet the deadline should be disregarded (section 787TA(5A) TCA).

6. Exercising the option

Once an individual meets the eligibility conditions, they can, at age 60 years or over and on or before the date of retirement from the public sector, exercise the encashment option by notifying the private scheme(s) administrator(s) by way of an irrevocable instruction to that effect. The exercise of the option involves the transfer by the administrator(s) of the individual's private sector scheme(s) to the individual of the value of the individual's accrued rights under the scheme. There are provisions for full or partial encashment and for situations where all or some of an individual's accrued rights from a private sector scheme have already been cashed in. Where the encashment option is exercised in full, no lump sum can be taken from the scheme. A partial encashment will result in a restriction of the lump sum otherwise payable under the scheme.

7. Deduction and remittance of tax

The encashment amount is charged to income tax under Case IV of Schedule D at the higher income tax rate (currently 40%) for the tax year in which the payment is made to the individual (section 787TA(7) and (8) TCA). No reliefs or deductions may be set off against the encashment amount (section 787TA(9) TCA).

The individual and the administrator of the private sector pension scheme are jointly and severally liable for the tax due on an encashment amount and this applies regardless of whether either of them is resident or ordinarily resident in the State (section 787TA(23) TCA).

The encashment amount is liable to Universal Social Charge (USC) at 2%⁴ (section 531AN(3A) TCA). The amount chargeable is not regarded as "relevant income" for the purposes of section 531AN(2) TCA, which means that it is not taken into account in determining whether the individual is liable to the additional USC charge where an individual has "relevant income" in excess of €100,000.

The administrator of the private sector pension scheme must remit the tax and USC to the Collector General within three months of the date of the option being exercised.

⁴ The rate of USC charged on the encashment amount was 2.5% for 2017, 3.5% for 2015 and 2016, and 4% for 2014 and prior years.

8. Miscellaneous

Where the encashment option is exercised in respect of a private pension scheme, the encashment amount does not constitute a BCE in the hands of the individual for SFT or PFT purposes. In addition, where a private pension scheme has already been drawn down and is the subject of an encashment option, BCEs that occurred at the time of draw down are, depending on the circumstances, disregarded.

An encashment amount cannot be used as a contribution to, or the payment of a premium in respect of, a relevant pension arrangement.

An encashment amount or deemed encashment amount is not regarded as a taxable distribution from an ARF or as a withdrawal from a PRSA or PEPP.

9. Further Information

Further information on the encashment option can be found in the [Notes for Guidance to the TCA](#).