

## Automatic Enrolment Retirement Saving System (AE)

### Pensions Manual - Chapter 32

This Manual should be read in conjunction with Part 30, Chapter 2E of Taxes Consolidation Act 1997.

The legislation establishing the AE system is the [Automatic Enrolment Retirement Savings System Act 2024](#) (AE Act).

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## 1 Introduction

The Automatic Enrolment Retirement Savings System (known as ‘AE’ or “MyFutureFund”) is a pension savings system aiming to address pension coverage gaps in Ireland by mandating participation for eligible employees and providing structured contributions from employees, employers, and the State.

The legislation establishing the AE system is the [Automatic Enrolment Retirement Savings System Act 2024](#) (AE Act). The [National Automatic Enrolment Retirement Savings Authority](#) (NAERSA), which was formally established on 14 October 2025, is a statutorily independent body responsible for the administration of the AE scheme. [NB – Revenue is not responsible for the content of external websites.] While AE is a policy initiative of the Department of Social Protection, the legislation governing taxation of the AE system was introduced through Finance Act 2025, with an effective date of 1 January 2026.

This chapter deals with the taxation provisions relating to the AE system as set out in Chapter 2E of Part 30 Taxes Consolidation Act 1997 (TCA).

## 2 Contributions by Participants

In contrast to other pension arrangements, such as Occupational Pension Schemes and Personal Retirement Savings Accounts, participant contributions to AE will not be eligible for tax relief. Instead of tax relief on participant contributions, the State will provide a top-up contribution.

The AE Act does not provide for a participant to make additional contributions outside the phased percentage amounts of contributions.

### 2.1 Repayments of contributions to a participant

Section 54 of the AE Act allows participants to the scheme to “opt out” of the scheme at various points. Should a participant “opt out” of AE and receive a refund of their contributions, this refund will not be subject to income tax as the participant has not previously received tax relief on their contribution to AE.

Both the employer and State contributions will remain invested in the individual’s fund.

### 3 Contributions by Employers

Contributions paid by an employer to AE on behalf of an employee are allowed as a deduction for corporation tax purposes. Section 787AF TCA provides that the amount of the contributions shall be allowed to be deducted as an expense incurred in the year in which the sum is paid. No deduction can be given for a provision of an amount due but not paid. The amount deductible must not exceed the amount contributed by the employer to the system in respect of employees engaged in a trade or undertaking.

Employer contributions on behalf of an employee are exempt from a charge to Benefit in Kind (BIK) and USC to the employee. For more information on BIK please see [TDM Part 42-04-35A](#). For more information on USC please see [TDM-Part 18D-00-01](#).

#### 3.1 Repayments of contributions to an employer

Section 64 of the AE Act provides that contributions paid by an employer shall be repaid in prescribed circumstances, in accordance with regulations. Those regulations will make provision for the repayment of contributions in the case of any overpayment of contributions for which adjustment is not made.

Section 787AH TCA provides for a charge to tax on refunds made to an employer as a result of an overpayment of contributions. The repayment shall be treated as a receipt of that trade or undertaking receivable when the repayment is due or on the last day on which the trade or undertaking is carried on by the employer, whichever is the earlier.

### 4 Contributions by the State

The State will provide a top-up contribution to a participant's account. The State contribution is exempt from a charge to Income Tax and USC to the participant.

### 5 Taxation of payments from AE

Section 787AI TCA provides that withdrawals from AE funds are treated as emoluments and are subject to tax under Schedule E, with some exceptions:

- on the first occasion that benefits are taken from AE by way of a lump sum under section 83(1)(a) of the AE Act, up to 25% of the fund may be taken as a tax-free retirement lump sum.<sup>1</sup>

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<sup>1</sup> as provided for by section 787AI(3)(a) TCA

- an amount made available to a personal representative following the death of a participant where a notification has not yet issued by NAERSA under section 82(1)(d) of the AE Act.<sup>2</sup> This exemption is provided for in section 787AI(3)(b) TCA, and
- an amount made available by NAERSA to meet a tax charge arising on a chargeable excess in connection with the related AE fund.<sup>3</sup>

The AE Act 2024 currently provides for the drawdown of AE funds by means of a lump sum pay-out. A tax-free lump sum of up to 25% of the fund will be available on the redemption date i.e., at the point of retirement or on death of the individual. This is subject to the €200,000 lifetime tax free limit in accordance with section 790AA TCA.

Any drawdown from AE (after the tax-free lump sum) will be subject to income tax under Schedule E. PAYE will be operated on the payment by NAERSA as administrators of AE.<sup>4</sup> However, the rules applying to “trivial pensions” may be applied, depending on the amount of the drawdown fund. See [Pensions Manual Chapter 7](#) for more details.

## 6 Death

Where a participant in an AE scheme dies before pensionable age<sup>5</sup>, and prior to the issuing of a notice that the balance in a participant’s account is ready for withdrawal (which means the participant has died before reaching pensionable age and received a notification in accordance with section 82(1)(d) of the AE Act), the fund will pass to the personal representatives of the deceased. Section 787AI(3)(b) TCA provides that there is no charge to income tax.<sup>6</sup>

Section 787AI(4) TCA sets out the Income Tax treatment of any balance of funds remaining in a participant account where the participant has died after the balance held in their participant account becomes available but prior to benefits being paid to the participant.

Where the balance of AE funds is made following the death of the individual beneficially entitled to those assets, it is treated as the income of that individual for the year of death and is taxable under Schedule E at their marginal rate, subject to certain exceptions:

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<sup>2</sup> as provided for by section 787AI(3)(b) TCA.

<sup>3</sup> as provided for by section 787O TCA.

<sup>4</sup> in accordance with section 787AI(1) TCA.

<sup>5</sup> Any reference to pensionable age within this manual has the same meaning as within the AE Act.

<sup>6</sup> The normal CAT provisions will apply, and a CAT charge may arise depending on the specific circumstances of the individual beneficiary.

- a payment of any AE funds which is made to the deceased participant's spouse or civil partner or is made to, or for the sole benefit of, any child of the deceased or of the deceased's civil partner who is under 21 at the time of death, is not taxable under Schedule E.<sup>7</sup>
- a payment from the deceased participant's AE fund to a child of the participant or of his or her civil partner who is 21 or over at the time of death is subject to an income tax charge under Case IV of Schedule D at a rate of 30%.

The table below summarises the Income Tax and Capital Acquisitions Tax (CAT) position on the death of an AE participant after reaching pensionable age but before they have withdrawn the balance from their AE account. The usual CAT tax-free thresholds apply.

#### **Death of participant after pensionable age where funds remain in AE account**

Beneficiary	Income Tax	CAT
Spouse/civil partner	No	No
Child under 21	No	Yes
Child 21 or over	Yes (case IV at 30%)	No <sup>8</sup>
Others	Yes (Schedule E at marginal rate)	Yes

All other distributions (e.g. to strangers) are, as provided for in subsection 784A(4)(a), taxable under Schedule E at the individual's marginal rate for the year of death.

## 7 Standard Fund Threshold

The funds held in a participant's AE account are subject to the standard fund threshold (SFT) regime. The SFT is the maximum tax-relieved pension fund for an individual and is set at €2.2m from 1 January 2026. Where an individual's aggregate pension funds from all sources exceeds the SFT, the excess over the threshold (the "chargeable excess") is subject to an upfront, ring-fenced income tax charge (known as "chargeable excess tax" or CET) at 40 percent. See [Pension Manual Chapter 25](#) for full details of the SFT regime.

<sup>7</sup> Any balance in an AE fund inherited by a child of the participant who is aged under 21 will be chargeable to CAT under the normal rules and subject to existing thresholds.

<sup>8</sup> Section 85 of the Capital Acquisitions Tax Consolidation Act 2003 provides for an exemption from CAT on an inheritance of AE funds by a child of an AE participant who is over the age of 21. For more information see [Notes for Guidance Capital Acquisitions Tax – Part 9 Exemptions](#).

## 8 Further Details

All enquiries relating to the operation of NAERSA or MyFutureFund should be directed to:

MyFutureFund,  
TCS Drive,  
Letterkenny Technology Park,  
Letterkenny,  
Co. Donegal,   
F92 W8CY.

<https://myfuturefund.ie/contact-us>

All enquiries relating to the AE Act should be directed to:

Department of Social Protection,  
Floor 1,  
Áras Mhic Dhíarmada,  
Store Street,  
Dublin 1,  
D01 WY03.

Email: [autoenrolment@welfare.ie](mailto:autoenrolment@welfare.ie)

<https://www.gov.ie/en/department-of-social-protection/campaigns/auto-enrolment/>

More information on auto-enrolment can be found here:

<https://www.gov.ie/en/department-of-social-protection/campaigns/auto-enrolment/>

<https://www.gov.ie/en/department-of-social-protection/publications/auto-enrolment-retirement-savings-system-for-employers/>

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